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VOL. 26, NO. 8 • AUGUST 1976

U.S. Defense and the Multinational Corporation — **William H. Peterson** — **451**
The MNC is an important force for world development and for world peace.

Rights Are Freedoms, Not Powers — **Oscar W. Cooley** — **464**
Our rights are freedoms to seek and establish, if we can, the good ways of life.

Where the Monetarists Go Wrong — **Henry Hazlitt** — **468**
The problem is not to devise a political formula to regulate the stock of money but to take such control out of the hands of politicians.

American Money: Past, Present and Future — **Charles E. Weber** — **479**
The rapid monetary expansion of the past 15 years can be curbed if there is a will.

Work and Liberty — **Clarence B. Carson** — **485**
The modern disparagement of the "work ethic" is a campaign against individual growth and fulfillment—a campaign against civilization and liberty.

In Defense of Apathy — **Thomas W. Hazlett** — **495**
"Mind Your Own Business" is a proper political slogan for free men in a free land.

A New Message—
IV. Comments on The Bill of Rights — **Jackson Pemberton** — **498**
Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.

Book Reviews: — **506**
"Plain Talk" edited by Isaac Don Levine
"A Gang of Pecksniffs" by H.L. Mencken
"No Land Is an Island: Individual Rights and Government Control of Land Use" by various authors
"Other People's Property" by Bernard H. Siegan

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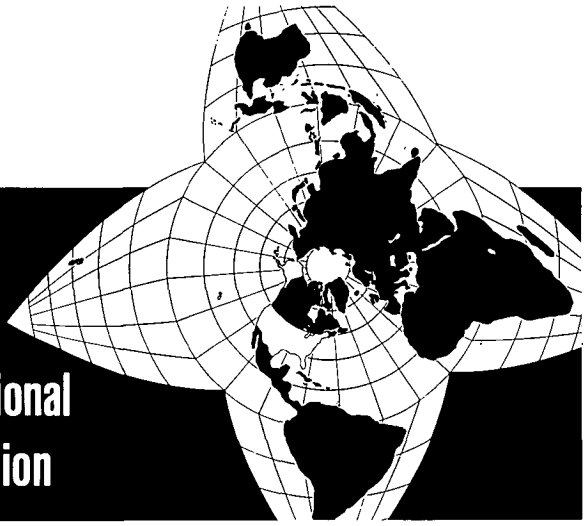
WILLIAM H. PETERSON

U.S. Defense and the Multinational Corporation



I DRAW MY SERMON from the gospel according to Ludwig von Mises in his *Human Action* (1949) in which it is written: "Capitalism is a scheme for peaceful nations," and according to Alexis de Tocqueville in his *Democracy in America* (1835) in which it is written:

There are at the present time two great nations in the world which seem to tend toward the same end, although they started from different points; I allude to the Russians and the Americans. . . . All other nations seem to have reached their natural limits, and only to be charged with the maintenance of their power; but these are still in the act of growth: all the others are stopped or continue to advance with extreme difficulty; these are proceeding with ease and with celerity along a path to which the human eye can assign no term. The American struggles against the natural obstacles which oppose him; the adversaries of the Russian are men; the former combats the wilderness and savage life; the latter, civilization with all its weapons and its arts: the conquests of the one are therefore gained by the plowshare; those of the other, by the sword. The Anglo-American relies upon personal interest to accomplish his ends, and gives free scope to the unguided exertions and common sense of the citizens; the Russian centers all the authority of society in a single arm: the principal instrument of the former is freedom; of the latter, servitude. Their starting-point is different and their courses are not the same; yet each of them seems to be marked out by the will of Heaven to sway the destinies of half the globe.

Talk about prescience, talk about a grand theme for a paper—this play on the economic underpinning of war and peace is it.

Dr. Peterson is Burrows T. Lundy Professor of the Philosophy of Business at Campbell College, North Carolina.

This paper is taken from remarks at Boise State University, Boise, Idaho, March 27, 1976.

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Let's explore, then, two timely issues raised by this gospel according to Mises and Tocqueville.

The first is economic. It relates to efficiency and productivity and hence to world prosperity. It is the question of free trade in goods, technology and capital vs. government interventionism in general and protectionism in particular—particularly as protectionism impinges on the multinational corporation.

The second yet closely related issue is more political and ties more directly into overall U.S. defense strategy. It stems from the old axiom that troops move when goods stop crossing borders. It relates to the mutual national advantages that flow from free trade in goods and capital—advantages which greatly contribute to relaxation of political and military tensions. IBM catches this idea beautifully in its motto: "World Peace Through World Trade."

Voluntarism vs. Controls

As is clear by now, I put a lot of stock in the old-fashioned ideas of private property, free enterprise, sanctity of contract, and limited government. I also put a lot of stock in the idea that government, however necessary for order in society, is, in the final analysis, organized force. Try not paying your taxes and you'll see what I mean. Multinational corporations, on the other hand, are strictly voluntary organizations. Nobody is twisting your arm to buy a Chevy, a Mazda, 10 gallons of Shell, a Sony color TV or any other product from the MNC's.

But were not such ideas the bequest of our Founding Fathers? Sad to relate in this bicentennial year, this bequest has run afoul of government interventionism. By way of definition, interventionism is the market-meddling and privacy-invading methods of the so-called middle-way, welfare-state, mixed economies of North America, Western Europe and Japan.

These economies—need I remind you?—come replete with double-digit inflation, massive unemployment, mind-boggling taxes, much social friction and lots of nosy bureaucrats, themselves full of contradictory and self-defeating rules and regulations.

Such messy repercussions are even more evident in the Third World. And now the MNC's are really catching hell, thanks in part to the bribery problem which I will treat in a moment. With the overwhelming support of Third World countries, the United Nations General Assembly has just passed a so-called Charter of Economic Rights and Duties of States. The Charter says that if a nation nationalize an MNC, any differ-

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ences on compensation shall be reconciled "under domestic law of the nationalizing country" and "by its tribunals." Rather one-sided, don't you think?

Similarly, a "Code of Conduct" proposed by the Organization for Economic Cooperation and Development would put tight restraints on MNC's, but, strangely, not on government-owned corporations or private national firms. In addition, the OECD Code would require MNC's to reveal confidential commercial and financial data on their operations and taxes, country by country—a revelation hardly conducive to a climate of investment.

Here at home the MNC's are fending off a push to remove their present right to defer income taxes on foreign earnings until they are repatriated. Since no foreign countries tax overseas earnings until remitted home, American companies would be at quite a disadvantage with their foreign competitors. Moreover, our MNC's have found it necessary to persuade, so far successfully, the House Ways and Means Committee not to terminate their present foreign tax credit, which allows them to deduct foreign income taxes from their U.S. tax liability. If the foreign tax credit were eliminated, U.S. MNC's would be subjected to double taxation, with the effective tax bite on foreign profits of U.S. firms increasing from 48 percent to about 73 percent. Such a blow, I submit, would gravely set back world development—and world peace.

All these attacks and harassments against the MNC's serve to undermine our basic defense on geopolitical strategy of harmonious relations among all countries. All of which divert our attention from the strict rule of life that to consume we must first produce. Why, then, do we Americans harass our prime producers, the MNC's, and at the same time devote so much attention to foreign aid and domestic welfare programs which merely shift shrinking purchasing power from one group to another?

Aid Programs Backfire

I believe history demonstrates that foreign aid and domestic welfare usually boomerang against their intended beneficiaries, setting back economic development abroad and causing social friction at home. I believe we of the West, so critical of the Third World, merit the admonition of the gospel according to Matthew: "Thou hypocrites, first cast the beam out of thine own eye."

All of which robs the will—and ability—behind national defense. In the U.S., for example, domestic spending by government has outstripped defense spending. Defense spending fell from 14.3 percent of GNP in 1952 to 7.2 percent in 1972.

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Meanwhile, domestic spending, including welfare programs, climbed from 12.2 percent of GNP in 1952 to 25.7 percent in 1972. All with those adverse repercussions I mentioned earlier.

Indeed, in this light, I have a book manuscript in preparation which has as its central postulate: *Every government intervention into peaceful private activity tends to make things worse rather than better.*

The hero of the book is the Consumer—the Forgotten Man in our society, despite the so-called Consumer Movement. He gets the short end of the stick from interventionism. He is the one who has to pay the bill for all the economic inefficiency and political instability wrought by the interventionists. He is the one who in the end has to pay all the wages, taxes, energy costs, interest payments of the MNC's and all the other costs of doing business in general. Including the manifold inefficiencies wrought by interventionism. Verily, there is no such thing as a free lunch.

But in a free society the Consumer is also the Boss. He is in charge. The entrepreneurs may think that they control production, that they are at the helm and steer the ship. Now listen to Mises on the entrepreneurs:

> A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

So if you hear me defend the multinational corporation against buttinsky government officials, please don't think of me as a mouthpiece for the global companies. In a sense, I don't give a hang about these companies; my concern is with the Forgotten Man. I believe his prime shield against the slings and arrows of life is free enterprise, global or otherwise. I don't believe in the "open political warfare"—to use the phrase of Jacques Maisonrouge, chairman of the IBM World Trade Corporation—that has characterized relations between the nation-states and the MNC's in recent years and months.

Defense Strategy

Enough of philosophy. We'll come back to the multi-national corporation. For now let us explore a bit further our second issue on the geopolitics of U.S. defense strategy.

Ponder: The major industrial economies of the West, including

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Japan, are long on capital and technology; the Third World is long on materials and manpower. Trade and investment, international harmony and good will, should flow between the two great areas. The Third World should leap ahead. Or, as the President's Materials Policy (Paley) Commission observed way back in 1951:

> The less developed countries have the materials. The industrial nations have the capital and the technical and management skills. These facts suggest the possibility of a new era of advancement for the world, which is dazzling in its promise.

But apparently the Third World just didn't get around to reading the Paley Report. For the report had no sooner been issued when a wave of expropriations and nationalizations enveloped foreign investments in the developing countries around the globe.

In 1951, for example, Iran seized the assets of the Anglo-Iranian Oil Company. In 1952 the United Nations approved UN Resolution 626 which asserted the sovereign rights of the developing countries but somehow fell short of noting the rights of the hardly dispensable foreign investors who had poured investment funds into those very same countries. Also in 1952 Bolivia nationalized foreign-owned tin mines. In 1953 Guatemala took over 250,000 acres of banana lands from the United Fruit Company, offering some $600,000 in Guatemala bonds as compensation for the property which had cost the company about $25 million. In 1956 Egypt took over the physical assets of the Universal Company of the Maritime Suez Canal, precipitating an immediate war with Britain, France and Israel.

Nationalizations, expropriations and wars have accelerated in the 1960's and 1970's. A recent UN study notes that nationalizations by the developing nations have doubled from an average of 45 a year during the 1960's to an average of 93 a year so far in the 1970's.

So I pause for some reflection and ask, How did the Paley Commission "promise" come to be broken?

In raising this question, I call attention to a raft of success stories in the Third World—Brazil, South Korea, Taiwan, Hong Kong, Malaysia, Thailand, Singapore, the Philippines and the Ivory Coast, to name the ones that come to mind. So I think it is plain that the Third World, if it does not go overboard on interventionism, is not somehow doomed to poverty and stagnation.

The Exploitation Theory

Still the Third World answers the question by rattling the saber and charging the West with exploitation—the old Marxist idea of capital exploiting labor, the bourgeoisie oppressing the

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proletariat, the rich grinding down the poor.

Here, for example, is Mexico's President Luis Echeverría before the UN General Assembly baldly accusing the rich industrialized nations of ignoring the needs of the poor developing countries, adding:

> To postulate that the traffic of merchandise and products should be confined only to the industrial islands of affluence would not only lead in the short and medium term to an explosion in the Third World, but also to urban violence and suicide in the very nations that believe it possible to isolate themselves.

But how unreal can such a postulation be? Maybe President Echeverría hasn't been checking Mexico's highways and byways recently for signs of massive multinational corporate investment to the extent of billions of dollars and at least hundreds of thousands of jobs.

I think of such MNC's, virtually all on a joint venture basis with Mexican partners, as Sears, Woolworth's, Walgreen's, Procter & Gamble, Kellogg's, J. Walter Thompson, Pepsico, Ford, Volkswagen, General Motors, Sony, Panasonic, Eastman Kodak, Honeywell, Motorola, Texas Instruments, General Foods, General Mills, Miles Laboratories, Du Pont, Firestone, Goodyear, Cummins Engine, Philips' Lamp, Sunbeam, and scores more.

Just to detail the vast effort of Sears in Mexico in developing splendid retailing services and local supporting manufacturing industries to the tune of thousands upon thousands of jobs would involve more time than I can spare at the moment. Suffice to say, Sears and a host of other MNC's have worked mightily to develop Mexico. The Mexican consumer knows this, even if President Echeverría doesn't.

Even stronger on the exploitation line has been General Idi Amin, ruler of Uganda and president of the forty-six member Organization of African Unity. He calls on the General Assembly to expel Israel from the UN and bring about "the extinction of Israel as a state." He goes on to blacken U.S. MNC's as Zionist, saying:

> The United States of America has been colonized by the Zionists who hold all the tools of development and power. They own virtually all the banking institutions, the major manufacturing and processing industries and the major means of communication; and they have so infiltrated the CIA that they are posing a great threat to nations and people which may be opposed to the atrocious Zionist movement. They have turned the CIA into a murder squad to eliminate any form of just resistance anywhere in the world.

Plainly, animosity and vituperation pepper communications between the West and the Third World. Plainly, developing or host

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countries are loading still more restrictions on the MNC's and hence on the consumer everywhere, and especially on their own Forgotten Men.

Restrictions on Trade

Listen to a list of such restrictions compiled by Professor Jack N. Behrman, a specialist on international trade and investment at the University of North Carolina:

(a) Foreign investment should not displace nationally-owned investment of a similar sort.
(b) Foreign investment should be complementary to nationally-owned investment, supporting the development of the latter.
(c) Foreign-owned affiliates should not be wholly-owned by the foreigner, but a majority of shares should be held by local nationals.
(d) Extractive investments should occur only in unexploited areas of the host economy.
(e) Maximum effort should be made to export from the foreign-owned affiliate.
(f) Preferences should be given to the hiring of local personnel, and minority groups should not be discriminated against.
(g) Local technicians should be trained and put in high-level positions.
(h) Support should be given for local technical and educational centers.
(i) Imports of materials and semi-finished goods for processing by the affiliates should be reduced to a minimum.
(j) The foreign investor should make a maximum contribution to the balance of payments of the host country.
(k) The foreign investor or licensor should not employ restrictive business practices (some twenty or more specific practices are prohibited).
(l) Foreign investors should not acquire existing companies in the host country.
(m) The foreign investor should reduce local borrowing to a minimum.
(n) The foreign investor should not attempt to avoid or evade taxes in the host country.
(o) The foreign investor should seek to re-invest a maximum percentage of earnings in the host country.

However reasonable any of these restrictions may sound in today's interventionistic world, almost every one is still a restriction—an intervention and hence a possible bar to investment. Thus do "host" countries come to frighten away good jobs for their workers and benefits for their consumers. Good work!

These fine efforts to gum up multinational trade and investment get a marvelous assist from the UN General Assembly, which just overwhelmingly passed the aforementioned Charter of Economic Rights and Duties of States. The Charter has been scrutinized by the U.S. Council of the International Chamber of Commerce. Says the Council:

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This Charter, among other things, encourages nationalization of foreign property and the likely substitution of state corporations for foreign-owned private enterprise. It sets forth the notion of reparations for alleged colonial or neo-colonial coercions of the past.... The Charter endorses expropriation without compensation. It rejects international adjudication of economic disputes between a host government and a foreign investor. And much more, in effect the overwhelming majority of UN members voted to apply their own doctrines to the detriment of the United States and the industrialized West, even though such an unbalanced attitude seems likely to jeopardize their own objectives for economic growth.

But imagine a smart Third World country switching off the Third World Blues, actually courting the multinational corporations and advertising in *Fortune*, *The Wall Street Journal*, *The New York Times* and *The Washington Post* as follows:

Attention: Yankee traders, Western banks, Japanese firms, European companies. Consider Lower Slobovia as your investment haven. Low wages. High productivity. Encouragement of the work ethic. Profit repatriation. Low taxes. Private property and sanctity of contract completely respected. Guarantees against nationalization and expropriation, with adjudication pledged by the World Court in the Hague and with indemnity funds pledged in Switzerland.

Can anybody doubt how quickly Lower Slobovia would rocket upward in a "take-off," how investment money would flood the country, how Lower Slobovians would flock to work, how they would soon build up their country and turn out goods and services at an ever faster pace, how Lower Slobovia would shine as the brightest star in the Third World?

This is not to say the MNC's would simply touch Lower Slobovia with a wand and, presto, Cinderella is transformed into a beautiful princess. The MNC's can be quite a catalyst but in the end it is the Lower Slobovians themselves—and Third Worlders generally—who must establish the will and the way to develop.

And that way is, in a phrase, free trade and all that goes with it, including that delightful phrase of Adam Smith on private incentives, the Invisible Hand.

Never underestimate these latent incentives ready to spring forth in the Third World with a pool of local savings, a pool of willing workers and, perhaps most surprising of all, a pool of native entrepreneurs.

Listen, for example, to Sir W. Arthur Lewis, the West Indian ex-Princeton professor who is one of the world's outstanding economists. He has found no lack of enterprise in the Third World nor of—and these are his words:

willingness to exploit opportunities. The will to do business and make money

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shows up in the hordes of traders; and in the rapidity with which small entrepreneurs take up small business opportunities as soon as the opportunities are opened up—motor transport, cinemas, building and contracting, small flour mills, printers, softdrinks—there is no shortage of small business types in underdeveloped countries. The shortage is of men who can build and run a large modern factory or mine or ship.

But the Third World, as we noted, is given to backbiting the multinational corporations, to cutting off its own nose to spite its face. Ludwig von Mises has commented how many poor countries of the world have avoided modern capitalism at their peril. He wrote:

> What they need most is entrepreneurs and capitalists. As their own foolish policies have deprived these nations of the further enjoyment of the assistance imported foreign capital hitherto gave them, they must embark upon domestic capital accumulation. They must go through all the stages through which the evolution of Western industrialism had to pass. They must start with comparatively low wage rates and long hours of work. But, deluded by the doctrines prevailing in present-day Western Europe and North America, their statesmen think that they can proceed in a different way. They encourage labor-union pressure, and alleged prolabor legislation. Their interventionist radicalism nips in the bud all attempts to create domestic industries. Their stubborn dogmatism spells the doom of the Indian and Chinese coolies, the Mexican peons, and millions of other peoples, desperately struggling on the verge of starvation.

Hear, hear. Professor Mises deserves applause for calling attention to the "doctrines prevailing in present-day Europe and North America." In 1975, for example, well after the debacle of wage-price controls in America from 1971 to 1974, and after a similar history of failure of "incomes policies" in Britain and elsewhere, Canada, Norway and Iran slapped on wage-price controls, justifying the observation of Santayana that those who don't know history are condemned to repeat it.

Washington Intervenes

The government in Washington itself is none too pure in the application of the wisdom of Adam Smith and David Ricardo. Recently, for example, at the behest of the United Automobile Workers, Washington took investigative action against foreign cars selling in the United States at prices below those charged in their home markets. So, through the deliciously-named International Trade Commission, Washington looks into UAW complaints that Datsuns, Toyotas, Fiats, Volkswagens and the like have been dumped on American shores in violation of the Anti-Dumping Act of 1921.

But our Forgotten Man never

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complains about dumping, about prices being "too low." He is simply, well, forgotten. As he is when the United States insists on American-made ships manned by U.S. citizens for its coastal shipping. Similarly with U.S. quotas on woolen, cotton and synthetic textiles imported from abroad. Or with brand-new quotas now being worked out with Europe, Canada and Japan for an annual quota of 146,000 tons of foreign specialty steels. Or with U.S. restrictions on the importation of brooms and sugar. And until the energy crisis, with now-repealed quotas against foreign oil (likely giving a lesson on restrictionism to the Organization of Petroleum Exporting Countries). And now Senators Humphrey and Javits push for "national economic planning"—a marvelous object lesson for the Third World and yet another pot-hole in the road to world peace.

As luck would have it, Western Europe, Japan and other enlightened countries also have their peccadilloes in violation of free trade and international amity.

Sweden, for example, is sour on foreign dairy products, oils, fats, grains, meat, apples, electrical equipment and animal feeds ... Norway frowns on imports of electrical equipment and dairy products ... Italy erects barriers against foreign cigarettes, refrigerators, electric transmission towers, ski lifts and wire mesh ... France battles against foreign movies, cars, oil products, electrical goods, and wine from Italy ... Canada fights its consumers by restricting imports of foreign grain, canned goods and American whiskey ... Australia protects its dairy farmers by allowing its Forgotten Man to consume margarine only if it is colored pink.

Retaliatory Measures

So who is exploiting whom? No wonder the MNC is having a hard time. No wonder peace is having a hard time. Protectionism and retaliation seem to be the basic ground rules for world commerce—and inadvertently for world friction. The hypocritical West charges OPEC with exploitation. OPEC returns the charge.

The Third World charges that the MNC's exploit their economies. The AFL-CIO similarly charges that the MNC's exploit American labor, mainly by shifting manufacturing to such places as Mexico, Korea and Taiwan. According to the AFL-CIO some 500,000 U.S. jobs were so exported in just the second half of the 1960's.

But Western MNC's frequently had no choice but to move production abroad, either because of foreclosed protected foreign markets or because of domestic markets being threatened by sharp foreign com-

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petitors. As Reginald H. Jones, chairman of General Electric put it: "As the last company in the U.S. to give up the manufacture of radios, we know exactly how tough the foreign competition has been."

Also, while it is true the U.S. economy has given up jobs involved in production of such things as radios, bicycles and shoes, the fact is that we have thereby gained jobs for our export industries, including computers, jet planes and agricultural products.

Indeed, I agree with the Commerce Department study by Professor Robert S. Stobaugh of the Harvard Business School that on balance overseas operations of U.S. MNC's have increased domestic employment by some 700,000 jobs as well as increasing a net inflow of some $7 billion a year in the nation's balance of payments.

But all the talk on jobs gained and lost through trade still misses the point. That point was well set forth by David Ricardo in his law of comparative advantage. And that advantage belongs to the truly exploited character in the drama of the MNC's under fire, our old friend, the Forgotten Man—the Consumer.

Smith a Consumer Advocate in The Wealth of Nations

Recall that Adam Smith was a consumer advocate long before that phrase became the fashion. He saw the consumer as the key beneficiary in his laissez-faire system. This was the master oversight of the mercantilists, the interventionists of George III's day. As Smith observed:

> Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

In short, the law of supply and demand and the law of comparative advantage have yet to be repealed. The MNC is the prime vehicle for the implementation of these laws, and hence the benefactor of the developing world. But note the snide intellectual treatment of MNC's in *Global Reach* (1974) by Richard J. Barnet and Ronald E. Müller and *The Sovereign State of ITT* (1973) by Anthony Sampson.

Mr. Sampson's title and idea may have been inspired by a book published in 1971 by a Harvard Business School professor. The book: *Sovereignty at Bay*. The author: Raymond Vernon. Professor Vernon holds that "sovereign states are feeling naked." He maintains that the MNC's vast financial reserves,

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huge size, and extensive technology push the nation-states into a feeling of frustration and possible aggression, certainly against the MNC's.

Intellectuals Barnet and Müller contend that "the structural transformation of the world economy through the globalization of Big Business is undermining the power of the nation-state to maintain economic and political stability within its territory." Accordingly the authors seek the long arm of the law to maintain social justice. In their seeking, they are aided and abetted by the boiling bribery problem.

I agree that on occasion businessmen have tricked, bribed and otherwise committed nefarious acts against the peoples and governments of the Third World. I say fie on such businessmen but note that they constitute but a minority, some black sheep whose presence, like germs, can rarely be 100 percent eradicated.

I deplore such vermin, yet believe that by and large business comes under the cleansing action of competition and the long-run principle of Cicero: "Whatever is profitable must also be honest, and whatever is honest must also be profitable."

Moreover, I agree with former Assistant Treasury Secretary Murray Weidenbaum, now an economist at Washington University in St. Louis, that most of the bribery is rooted in intervention. And how! Dispensers of government—repeat, *government*—favors, whether an investment license, access to foreign exchange, a government contract, an airline route, or whatever, frequently get to surreptitiously auction their favors to the highest bidders. Also, often the more apt word is not bribery but extortion.

In other words, were there no intervention, there would be no favors and hence no opportunity to extort or encourage bribes. To rid Latin America, the Middle East, Asia and Africa of "payola" via moralistic condemnation, via elaborate codes of ethics, via confessions of *mea culpa*, is an idle dream. These lands are rooted in generations of interventionism. Wipe out intervention, and then—and only then—will you wipe out bribery.

Ponder again: One hundred years ago the economic disparity between the West and what would have been the Third World countries was even greater than the disparity today. One hundred years ago, you see, the world was at peace. One hundred years ago, the world lived under free trade, the gold standard, and relatively free migration of peoples. The nineteenth century, relatively speaking, was a peaceful century; the twentieth century, so far, has been a century of total war and cold war.

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The Rise of the State

The difference lies in the shifted role of the state. Then it was limited; now it is unlimited. Then it was laissez-faire; now it is interventionistic. As Mises noted in his *Human Action:*

> Under laissez faire peaceful coexistence of a multitude of sovereign nations is possible. Under government control of business it is impossible. The tragic error of President Wilson was that he ignored this essential point. Modern total war has nothing in common with the limited war of the old dynasties. It is a war against trade and migration barriers, a war of the comparatively overpopulated countries against the comparatively underpopulated. It is a war to abolish those institutions which prevent the emergence of a tendency toward an equalization of wage rates all over the world. It is a war of the farmers tilling poor soil against those governments which bar them from access to much more fertile soil lying fallow. It is, in short, a war of wage earners and farmers who describe themselves as underprivileged "have-nots" against the wage earners and farmers of other nations whom they consider privileged "haves."

Evidence of interventionism and aggressive nationalism leading to war or near-war is, sadly, easy to come by these days. Some 12,000 Soviet-equipped Cuban troops have just helped successfully wage "a war of liberation" in Angola. Another communist-angeled state, Mozambique, is now menacing Rhodesia.

Even tiny nations get to tweak Western noses. The other day, for example, Panama's ruler, General Omar Torrijos, said his country "will have to resort to the violent stage" if peaceful efforts to recover the Canal Zone from the U.S. fail. The violent stage? Ay, that's the rub . . .

It is useless to ban the Bomb. What we must ban is the ideology of war, which means the ideology of government omnipotence, of aggressive nationalism, of intervention run riot.

We must, I think, rediscover the gospel according to Tocqueville and Mises. We must return to the philosophy of laissez faire and the market economy. We must see the wisdom of Daniel Patrick Moynihan's observation that the MNC is a shining example of the "enormous recent achievements" in international relations, that "combining modern management with liberal trade policies, it is arguably the most creative international institution of the twentieth century."

I agree. The multinational corporation is far and away the greatest force for world development and, as implied by IBM, for world peace.

Meanwhile, let's remember Tocqueville's point on the Russian sword and keep our powder dry.

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OSCAR W. COOLEY

Rights Are Freedoms, Not Powers

THE WORD "RIGHT," used as a noun, means, my dictionary tells me, a "just, or lawful claim." Claim on what? On whatever I want and can lawfully have.

I have a right to life, that is, a just claim on life. I have a right to liberty, a just claim to be free. I have a right to property, a just claim on land, goods, or other wealth.

My right is not life, liberty, property, but rather my proper and just claim upon these things. The distinction is important. It was understood by our revolutionary forefathers but is widely misunderstood today.

The misunderstanding lies in identifying the right with that which one has a right to, that is, a claim upon. Thus, people say, "Everyone has a right to an adequate diet," when they mean that everyone can properly take an adequate diet out of the common larder, by taxing or by voting his group a public subsidy. The fact is that no one can properly do this.

Jefferson, who asserted in the Declaration that all men have "certain unalienable rights," would have been disturbed if told that the government must provide food, clothing, and shelter to everyone because to have these is their right. One has a right to seek an adequate diet but not to compel his fellowmen to give it to him.

"Unalienable" describes that which cannot be alienated or separated from. An unalienable right is a natural right with which people

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are born and which cannot be taken away.

The opportunity to seek life, liberty and happiness is what Jefferson presumably was thinking of. When he listed life as one of the unalienable rights, he was thinking of the right to seek life and seek it more abundantly. He knew full well that life, liberty and happiness cannot be guaranteed to everybody, or indeed to anybody. We do not live in that kind of world. But we are born seekers, and no one can rightfully forbid our search.

The rights that are specified in the first ten amendments of the Constitution are freedoms, or opportunities. They are not achievements. For example, to grant religious freedom, as does the first amendment, does not make people religious! Rather, it forbids others (Congress) to interfere with people in practicing the religion of their choice.

Likewise, speech, press, assembly, and petition are not prescribed. The amendment simply makes them available to people to practice without interference.

These fundamental rights, which Patrick Henry, George Mason, and others insisted must be added to the Constitution, are negative in that they specify certain opportunities which government must not deny or tamper with but which must be left open to the people. All true rights are of this nature. They are freedoms from interference. They state what people shall not be prevented from doing.

The jurist, Thomas McIntire Cooley, saw a right as "that which the law secures to its possessor by requiring others to respect it and to abstain from its violation."

Underlying all other rights is the right to own property. This is a "just or lawful claim" on land, man-made wealth, or labor potential. Why must people have such a claim? They must have it if they are to use and control these things in such a way as to produce a livelihood. The right to life would be of little value if it were not accompanied by the right to exploit the material environment in a way to sustain life. This is the property right.

James Wilson, member of the Continental Congress and a signer of the Declaration of Independence, said:

"The right of private property is founded in the nature of men and things... Exclusive property multiplies the produce of the earth. Who would cultivate the soil and sow the grain if he had no special interest in the harvest? Who would rear and tend the flocks and herds if they could be taken from him by anyone who should come to demand them? ... What belongs to no one is wasted by everyone. What belongs

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to one man in particular is the object of his economy and care. Exclusive property prevents disorder and promotes peace."

Again, the right of property certainly does not mean that one can rightfully take the property of others against their will. It merely means that people can seek property, produce it, buy it, inherit it, and that no one, neither their neighbors nor their government, shall forbid them or shall abridge the right.

We hear much talk of the right to a job. This does not mean that society (the government) must provide a job for every worker. It means that anyone may offer his services in the labor market, looking for a job, seeking to qualify, and deciding for himself whether or not to accept a job offer.

This right, too, is based on the property idea. One's labor potential is his own personal property, and he is free to use it, sell it, improve it, or even waste it. If forbidden to do so, as by the government under a minimum wage law, or by a union taking advantage of special privileges granted by labor laws, he has lost a fundamental human right.

The government of the city of Detroit has made a rule that all policemen hired by the city must reside within the city's limits. Some policemen are contesting this, holding that they have a right to live where they please.

They do. But the city also has a right to choose its employees. As an employer, it has a property right in the money it pays the policemen as wages. It can specify any qualifications it wishes in those to whom it pays these wages. The applicant who does not approve the qualifications is free to apply elsewhere. To force any employer to hire some particular worker is to abridge that employer's right of property.

A "Coalition of Independent College and University Students" has been formed to lobby for increased Federal aid for students. "We believe," says Robert Kaplan, its head, "that no student should be denied the choice of a particular college or university solely for financial reasons." This appears to mean that every student should have the right to go to Harvard, the government paying his tuition.

Here again we encounter the assumption that a right is not a mere freedom to do a certain thing but is the privilege of compelling others to implement the doing of it. If this were true, a right would not be a freedom but a power. The Coalition wants not merely freedom of the student to apply to the college of his choice, which he already has, but power to force

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others to pay the student's cost of going to such college.

Farmers sometimes aver that they have a right to receive prices that yield cost of production plus a profit. No one has a right to get any particular price for a product. What he has a right to is freedom to sell for whatever the market will pay, to search for a better market, to store and sell later if he wishes, to quit producing one crop and to produce another.

Employment, education, health, security—each, we are told is the "right" of every American. This is considered the unanswerable argument, the clincher that will tell the lawmaker how he must vote.

It would have been ridiculous for the Pilgrims, just landed on Cape Cod, to assert these desirable things as their rights. In fact, their rights were exactly the same as ours. Theirs were freedoms to seek and to establish, if they could, these good ways of life. And so are ours.

IDEAS ON LIBERTY

The Right to Be Wrong

THE RIGHT TO BE WRONG in matters of religious belief must be accorded, otherwise we produce hypocrites instead of persons with an enlightened belief that is fully their own. If the truth be mighty and God all-powerful, His children need not fear that disaster will follow freedom of thought.

FRANCOIS DE FENELON, *Archbishop of Cambrai (1651-1715)*

The Pursuit of Happiness

LET THESE TRUTHS be indelibly impressed on our minds—that we cannot be happy without being free—that we cannot be free without being secure in our property—that we cannot be secure in our property if without our consent others may as by right take it away.

JOHN DICKINSON, *Letters from a Farmer in Pennsylvania to the Inhabitants of the British Colonies (1768)*

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Where the Monetarists Go Wrong

HENRY HAZLITT

IRVING FISHER

IN THE LAST DECADE OR TWO there has grown up in this country, principally under the leadership of Professor Milton Friedman, a school calling itself the Monetarists. The leaders sometimes sum up their doctrine in the phrase: "Money matters," and even sometimes in the phrase: "Money matters most."

They believe, broadly speaking, that the "level" of prices of commodities and services tends to vary directly and proportionately with the outstanding quantity of money and credit—that if the quantity of money (comprehensively defined) is increased 10 per cent, the prices of commodities will increase 10 per cent; that if the quantity of money is doubled, prices will double, and so on. (This of course is on the assumption that the quantity of goods remains unchanged. If this is increased also, the rise in prices due to a greater supply of money will be correspondingly less.)

This is called the Quantity Theory of Money. It is not new, but very old. It has been traced by some economic historians as far back as the French economist Jean Bodin in 1566, and by others to the Italian Davanzati in 1588. In its modern form it was most elaborately presented by the American Irving Fisher in *The Purchasing Power of Money* (1911) and in later books.

The monetarists have added some refinements to this theory, but prin-

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cipally they have devoted themselves to giving it detailed statistical support, and drawing much different conclusions than did Fisher himself regarding an appropriate monetary policy.

When Fisher began writing, the gold standard was still dominant in practice. He proposed to keep it, but with a radical modification. He would have varied its gold content according to the variations of an official price index, so that the dollar should represent, instead of a constant quantity of gold, a constant quantity of purchasing power. Milton Friedman rejects the gold standard altogether. He would substitute for it a law prescribing a precise quantitative issuance of irredeemable paper money:

"My choice at the moment would be a legislated rule instructing the monetary authority to achieve a specified rate of growth in the stock of money. For this purpose, I would define the stock of money as including currency outside commercial banks plus all deposits of commercial banks. I would specify that the Reserve System shall see to it that the total stock of money so defined rises month by month, and indeed, so far as possible, day by day, at an annual rate of X per cent, where X is some number between 3 and 5. The precise definition of money adopted, or the precise rate of growth chosen, makes far less difference than the definite choice of a particular definition and a particular rate of growth."[1]

It is with considerable reluctance that I criticize the monetarists, because, though I consider their proposed monetary policy unfeasible, they are after all much more nearly right in their assumptions and prescriptions than the majority of present academic economists. The simplistic form of the quantity theory of money that they hold is not tenable; but they are overwhelmingly right in insisting on how much "money matters," and they are right in insisting that in most circumstances, and over the long run, it is the quantity of money that is most influential in determining the purchasing power of the monetary unit. Other things being equal, the more dollars that are issued, the smaller becomes the value of each individual dollar. So at the moment the monetarists are more effective opponents of further inflation than the great bulk of politicians and even putative economists who still fail to recognize this basic truth.

I must add that I also regret that I take issue on this important question with Milton Friedman, with most of whose great contributions to economics, and especially to the

[1] *Capitalism and Freedom* (University of Chicago Press, 1962), p. 54.

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defense of the free market, I have long been in full and admiring agreement. I hope that no reader of this article will get the impression that I fail to appreciate the extent to which Dr. Friedman's lucidity, persuasiveness and penetration have put us all in his debt.

Let us begin by examining what is wrong with "the" quantity theory of money—which might rather be called the strict or mechanical quantity theory of money. It rests on greatly oversimplified assumptions. As formulated by Davanzati in 1588, the total existing stock of money must always buy the total existing stock of goods—no more, no less. So if you double the stock of money, and the supply of goods remains the same, you must double the average level of prices. Each monetary unit must then buy only half as much as before. As formulated by its modern exponents, the assumptions underlying the strict quantity theory of money are not much advanced from this. As "money is only wanted to buy goods and services," they argue, this proportional relationship must hold.

But this is not what happens. The truth in the quantity theory is that changes in the quantity of money are a very important factor in determining the exchange-value of a given unit of money. This is merely to say that what is true of other goods is true of money also. The market value of money, like the market value of goods in general, is determined by supply and demand. But it is determined at all times by *subjective* valuations, and not by purely objective, quantitative, or mechanical relationships.

Three Stages of Inflation

In a typical inflation we may roughly distinguish three stages. In the first stage prices do not rise nearly as fast as the quantity of money is being increased. For one thing, if there has been some slack in the economy, purchases made with the new money may mainly stimulate increased production. (This is the point so emphasized and overemphasized by Keynes. It can happen, however, only in the early stages of an inflation, and only in special circumstances.)

Apart from this possible early stimulative effect of an inflation, most people at first do not realize that an inflation of the currency has taken place. Some prices have risen, but many people, comparing them with the prices to which they have become accustomed, assume that these new prices are too high, and will soon fall back to "normal." They hold off buying, and increase their cash holdings. As a result, prices do not at first rise as much as the quantity of money has been increased.

If the inflation is slow and has

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occasional stops, prices tend to catch up with the rate of increase in the money supply, and for a while there may be a result much like what the strict quantity theory of money would predict, in which prices tend to rise roughly in proportion to the increase in the money stock.

But if the inflation (meaning the increase in the quantity of money) continues, and particularly if it accelerates, people begin to fear that it is a deliberate governmental policy, that it will go on indefinitely, and that prices will continue to soar. So they hasten to spend their money while it still has some value—i.e., before prices rise still further. The result is that prices begin to rise far faster than the quantity of money has been increased, and finally far faster than it even can be increased.

So we have the paradoxical result that, in a hyperinflation, when the government is grinding out new currency units at an astronomical rate, prices rise so fast that the existing quantity of money is not sufficient for the volume of transactions, and we have mounting complaints of a "scarcity" of money.[2] In the final stage of the German inflation of 1923, for example, the entire stock of paper money, though with a stamped value billions of times higher, had a gold exchange-value of only one-sixtieth of what it had before the inflation started. Of course the paper mark finally became utterly valueless, as had the French assignats in 1796 and the American Continental currency in 1781.

It is for this reason that all inflation must finally have a stop. But the point I am stressing here is that the strict quantity theory of money is not true (though it may appear to be true under certain circumstances and for limited periods). So far as quantity is concerned, it is the *expected future* quantity of money, rather than the immediately existing quantity, that determines the exchange value of the monetary unit.

Quality Affects Value

The value of money, however, is determined not merely by its quantity—even its expected future quantity—but also by its quality. Currency issued by a shaky government, for example, will not have as much value, other things being equal, as currency issued by a strong "legitimate" government of long standing.

In recent years we have witnessed much more familiar illustrations of

[2] See, e.g., on the French assignats, Andrew Dickson White, *Fiat Money Inflation in France* (Irvington-on-Hudson, New York: Foundation for Economic Education, 1959), p. 83 and *passim*, and on the German inflation of 1923, Costantino Bresciani-Turroni, *The Economics of Inflation* (London: George Allen & Unwin, 1931), pp. 80-1.

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the effect of qualitative deterioration in the monetary unit. Scores of nations have repeatedly announced "devaluations" of their currency. Prices have begun to rise in those countries the very next day, before there has been any chance to increase the quantity of money any further.

Still more striking is what has happened when nations on a gold standard have announced their abandonment of it. The United States went off the gold standard in March of 1933. By 1934, the average of wholesale prices had increased 14 per cent over 1933, and by 1937, 31 per cent. The U.S. formally abandoned gold convertibility again in August, 1971. Wholesale prices had actually *fallen* by 2 per cent from August of the year before; but by August of the year later they increased by 4.35 per cent. With all gold discipline removed, wholesale prices rose more than 13 per cent between 1972 and 1973, and more than 34 per cent between 1972 and 1974.

One of the most striking illustrations of the importance of the *quality* of the currency occurred in the Philippines at the late stage of World War II. The forces under General Douglas MacArthur had effected a landing at Leyte in the last week of October, 1944. From then on, they achieved an almost uninterrupted series of successes. A wild "inflation" broke out in the capital city of Manila. In November and December, 1944, prices in Manila rose to dizzy heights. Why? There was no increase in the money stock. But the inhabitants knew that as soon as the American forces were completely successful their Japanese-issued pesos would be worthless. So they hastened to get rid of them for whatever real goods they could get.[3]

Quantity Theory of Money

What has helped to keep the strict mathematical quantity theory of money alive, in spite of experiences of the kind just cited, is the famous Irving Fisher equation: MV = PT. In this M stands for the quantity of money, V for its "velocity of circulation," P for "the average price level" of goods and services, and T for the "volume of trade," or the quantity of goods and services against which money is exchanged.

So when the quantity of money remains unchanged, for example, and prices start to soar (or any similar discrepancy occurs) the quantity theorists are not at all disconcerted. They are provided in advance with an easy alibi: the "velocity of circulation" of money

[3] I have never seen a reference to this striking event in any textbook on money. See e.g., *The New York Times* Jan. 30, 1945.

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must have changed enough to account for the apparent discrepancy. True, this requires them sometimes to assume some remarkable things. I pointed out a few pages back that in the final stage of the German inflation of 1919-1923 the entire stock of paper money had a gold value only one-sixtieth that of the far smaller nominal money stock before the inflation began. This would require us to assume that the average "velocity of circulation" had increased in the meanwhile sixty times.

This is not possible. The concept of the "velocity of circulation" of money, as held by the quantity theorists and embodied in the Fisherine equation MV = PT, is quite fallacious. Strictly speaking, money does not "circulate": it is exchanged against goods. When the turnover of money increases, the turnover of goods increases correspondingly.

(We have here an illustration of how the use of mathematical symbols may mislead an economist even in an elementary application. If MV = PT, and you double V, then it seems to follow that 2 MV = 2 PT, and that this can be read as meaning that doubling V can double P. But if we spell out the equation as M x V = P x T, it can be seen that M x 2V does *not* necessarily equal 2P x T, but more likely P x 2T. In fact, the equation MV = PT does not mean what Irving Fisher and his disciples thought it meant. They considered MV the "money side" of the equation and PT the "goods side." But as Benjamin M. Anderson, Jr. long ago pointed out in a shrewd analysis,[4] "Both sides of the equation are money sides... The equation asserts merely that what is *paid* is equal to what is *received*.")

Velocity of Circulation—Geographical Variations

There are no reliable statistics on the "velocity of circulation" of hand-to-hand currency.[5] But we do have figures on the annual rate of turnover of demand bank deposits. As bank deposits in the United States cover about eight-ninths of the media of payment, these figures are an important index.

What is most striking, when we examine these figures, is first of all the wide discrepancy that we find between the rate of turnover of demand deposits in the big cities,

[4] *The Value of Money* (New York: Richard R. Smith, 1917 and 1936), p. 161.

[5] Milton Friedman and Anna Jacobson Schwartz, in their *Monetary History of the United States: 1867-1960* (Princeton University Press, 1963), do offer annual estimates and tables of "velocity of money" based on worksheets of Simon Kuznets made for another study. But they define this velocity as "the ratio of money income to the stock of money." This hardly makes it a *transactions* velocity. Moreover, they appear to attach very little commodity-price-determining importance to it: "Velocity is a relatively stable magnitude that has declined secularly as real income has risen." (p. 34).

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especially New York, and the rate that we find in 226 other reporting centers. In December, 1975, the average annual rate of turnover of demand deposits in these 226 small centers was 71.8. In six large cities outside of New York it was 118.7. When we come to New York City itself, the rate was 351.8. This does not mean that people in New York were furiously spending their money at nearly five times the rate of people in the small centers. (We must always remember that each individual can spend his dollar income only *once*.) The difference is accounted for mainly by two factors. The big corporations have their headquarters or keep their banking accounts in the big cities, and these accounts are much more active than those of individuals. And New York City especially, with its stock exchanges and commodity exchanges, is the great center of *speculation* in the United States.

Though the velocity of circulation of money (mainly in the form of bank deposits) increases with speculation, speculation itself does not indefinitely increase. In order for speculation to increase, willingness to part with commodities must increase just as fast as eagerness to buy them. It is rapidly changing ideas of commodity values—not only differences of opinion between buyer and seller, but changing opinions on the part of individual speculators—that are necessary to increase the volume of speculation.

The value of a commodity, a stock, or a house does not change in any predictable relationship to the number of times it changes hands. Nor does the value of a dollar. When 100 shares of a stock are sold, their value is not thereby necessarily depressed, because the shares are also bought. Every sale implies a purchase, and every purchase a sale. When a man buys a commodity, he "sells" money; but the seller of the commodity "buys" money. There is no necessary connection whatever between changes in the "velocity of circulation" of money and changes in the "level" of commodity prices. "Velocity of money" is merely a *resultant* of a complex of other factors, and not itself a *cause* of any important change whatever.[6]

Price Levels and Indexing

Still another fallacy into which many quantity theorists (and not they alone) are apt to fall is the concept of a price "level." This is the partly unconscious assumption that when prices rise during an inflation they rise *uniformly*—so that when the official consumer price index

[6] I have treated this subject at greater length in an essay, "Velocity of Circulation," in *Money, the Market and the State: Economic Essays in honor of James Muir Waller*, edited by N. A. Beadles and L. A. Drewry (University of Georgia Press, 1968.)

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has risen over a given period by, say, 10 per cent, all prices in that period have risen just about 10 per cent. This assumption is never made explicitly, otherwise it would be much easier to correct. But it is latent in the discussions of most journalists and politicians. It therefore leads them greatly to underestimate the harm done by inflation. For the greater part of that harm is precisely that different people's prices, wage-rates and income go up so unevenly and at different rates. This not only means great windfalls for some and tragedies for others, but it distorts and disrupts economic relationships. It unbalances, reduces, and misdirects production. It leads to unemployment and to malemployment. And attempts to correct this through such schemes as "indexing" only tend to increase the harm.

I do not mean to suggest that all those who call themselves monetarists make this unconscious assumption that an inflation involves this uniform rise of prices. But we may distinguish two schools of monetarism. The first would prescribe a monthly or annual increase in the stock of money just sufficient, in their judgment, to keep prices stable. The second school (which the first might dismiss as mere inflationists) wants a continuous increase in the stock of money sufficient to raise prices steadily by a "small" amount—2 or 3 per cent a year.

These are the advocates of a "creeping" inflation. The late Professor Sumner H. Slichter of Harvard was the most prominent of these. He thought that a planned price rise of 2 or 3 per cent a year would be about right. He forgot that even if the government could hold an inflationary price rise to a rate of only 2 per cent a year it would mean an erosion of the purchasing power of the dollar by about one-half in each generation.

And it would not produce the results that Slichter expected of it. For inflation is always a swindle. It cannot be candidly and openly planned. People everywhere will take compensatory actions. If a price rise of 2 per cent a year is announced as the official goal, lenders will immediately add 2 per cent to the interest rate they would otherwise have asked, union leaders will add 2 per cent to the wage increase they would otherwise have demanded, and so around the circle. Not only will the "creeping" inflation begin to race, but its effect on production and employment will be disruptive rather than stimulative.

But our concern here is not with the advocates of creeping inflation (in the sense of creeping price rises, at no matter how low an annual rate) but with the monetarists strictly so called—that is, with

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those who recommend instructing government monetary authorities to increase the monetary stock every year only enough to keep prices from falling. What increase do the monetarists think sufficient to accomplish their purpose?

Problems of Determining How Much Inflation Is Enough

Let us return to the prescriptions of the acknowledged leader of the school, Professor Milton Friedman. We have seen that, in 1962, in his *Capitalism and Freedom*, he recommended that the Federal Reserve authorities be instructed to increase the total stock of money (including "all deposits of commercial banks") at an annual rate of somewhere between 3 and 5 per cent. But three years later, in a memorandum prepared for a consultant's meeting with the Board of Governors of the Federal Reserve Board on Oct. 7, 1965, we find him recommending "as the new target a rate close to the top of the desirable range of 4 to 6 per cent for M-2" (currency plus demand and time deposits).[7]

Still later, in 1969, we find him scaling down this rate considerably, though with misgivings and vacillations:

"A policy fairly close to the optimum would probably be to hold the absolute quantity of money constant... However, this policy, too, seems to me too drastic to be desirable in the near future although it might very well serve as a long-term objective."

He then discusses the relative advantages of a 1 per cent and of a 2 per cent rate, and then goes on:

"I do not want to gloss over the real contradiction between these two policies, between what for simplicity I shall call the 5 per cent and the 2 per cent rules. There are two reasons for this contradiction. One is that the 5 per cent rule was constructed with an eye primarily to short-run considerations, whereas the 2 per cent rule puts more emphasis on long-run considerations. The more basic reason is that I had not worked out in full the analysis presented in this paper when I came out for the 5 per cent rule. I simply took it for granted, in line with a long tradition and a near-consensus in the profession, that a stable level of prices of final products was a desirable policy objective. Had I been fully aware then of the analysis of this paper, I suspect that I would have come out for the 2 per cent rule...

"Either a 5 per cent rule or a 2 per cent rule would be far superior to the monetary policy we have actually followed. The gain from shifting to the 5 per cent rule would, I

[7] Reprinted in *Dollars and Deficits* (Englewood Cliffs, N.J.: Prentice-Hall, 1968), p. 152.

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believe, dwarf the further gain from going to the 2 per cent rule, even though that gain may well be substantial enough to be worth pursuing. Hence I shall continue to support the 5 per cent rule as an intermediate objective greatly superior to the present practice."[8]

One hardly knows whether to twit Dr. Friedman for tergiversation or praise him for remarkable candor. But his hesitations, as I hope to show, really point to the inherent difficulties in the monetarists' proposals.

I made a distinction earlier between the monetarists strictly so called and the "creeping inflationists." This distinction applies to the intent of their recommended policies rather than to the result. The *intent* of the monetarists is not to keep raising the price "level" but simply to keep it from falling, i.e., simply to keep it "stable." But it is impossible to know in advance precisely what uniform rate of money-supply increase would in fact do this. The monetarists are right in assuming that in a prospering economy, if the stock of money were not increased, there would probably be a mild long-run tendency for prices to decline. But they are wrong in assuming that this would necessarily threaten employment or production. For in a free and flexible economy prices would be falling because productivity was increasing, that is, because costs of production were falling. There would be no necessary reduction in real profit margins. The American economy has often been prosperous in the past over periods when prices were declining. Though money wage-rates may not increase in such periods, their purchasing power does increase. So there is no need to keep increasing the stock of money to prevent prices from declining. A fixed arbitrary annual increase in the money stock "to keep prices stable" could easily lead to a "creeping inflation" of prices.

A Political Football

But this brings us to what I consider the fatal flaw in the monetarist prescriptions. If the leader of the school cannot make up his own mind regarding what the most desirable rate of monetary increase should be, what does he expect to happen when the decision is put in the hands of the politicians?

We do not need to allow our fancies to roam very far. We already know the answer from what has been happening in the United States since we left the gold standard 43 years ago—and from what has been happening, for that matter, in nearly every country in the world

[8] *The Optimum Quantity of Money* (Chicago: Aldine Publishing Co., 1969), pp. 46-48.

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since the gold standard was abandoned. The decision regarding the national money-supply has already been in the hands of the politicians everywhere. And this situation has led practically everywhere to continuous and usually accelerating inflation.

Dr. Friedman would take the decision out of the discretion of appointed monetary authorities and make it a "legislative rule." But what rate would a popularly-elected legislature set? We may be sure that it would pick a "safe" rate of monetary expansion—at least 6 per cent a year to begin with—to make sure that there would be no depression or unemployment. But at the first feeble sign of unemployment or "recession"—brought about by excessive union wage demands or any other of a score of factors—politicians seeking election or re-election would demand that the legislative monetary-increase rule be raised to 8 per cent, 10 per cent, or whatever rate the political scramble for office might suggest.

The prescribed rate would become a political football. The tendency nearly always would be for the highest bidder to win. For the belief in inflation as the master solution of every economic problem is not new in this generation. Throughout recorded history it has always been latent. It did not need the Keynesian rationalization. Whenever there has been depression and unemployment it has always been popularly blamed on or identified with "not enough money." In 1776, in his *Wealth of Nations*, Adam Smith was pointing out that "No complaint is more common than that of a scarcity of money."

The fatal flaw in the monetarist prescription, in brief, is that it postulates that money should consist of irredeemable paper notes and that the final power of determining how many of these are issued should be placed in the hands of the government—that is, in the hands of the politicians in office. The assumption that these politicians could be trusted to act responsibly, particularly for any prolonged period, seems incredibly naive. The real problem today is the opposite of what the monetarists suggest. It is how to get the arbitrary power over the stock of money *out* of the hands of the government, *out* of the hands of the politicians.

The solution to that problem cannot be offered in a few lines. The present writer has attempted to deal with it in his article, "The Search for an Ideal Money," in *The Freeman* of November, 1975.

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American Money:
Past, Present and Future

CHARLES E. WEBER

DURING THIS YEAR the third century of American independence will have begun and it is therefore appropriate to reflect on an important aspect of American life, the monetary system which has been so closely tied up with the successes and failures of the United States during the first two centuries of its existence.

Prior to 1776 the money circulating in the colonies consisted largely of silver and gold struck in Spanish mints, especially those in Mexico City and Lima, as well as other coins struck in various countries, such as England, France and the Netherlands. Foreign coins were of such great importance to the commerce of the United States that Congress continued to recognize their status as legal tender down to 1857.

During the years immediately before the Revolution various colonies issued paper money and during the first years after the Declaration of Independence the states issued large quantities of paper money which rapidly deteriorated in value. The disillusionment with this paper money and a recognition of the chaos which it had caused are reflected in Article I, Section 10 of the Constitution: "No state shall.... make any Thing but gold and silver Coin a Tender in Payment of Debts."

In defense of this provision, James Madison (*The Federalist Papers*, No. 10) speaks of "A rage for paper money, for an abolition of debts, for an equal division of prop-

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erty, or for any other improper or wicked project. . . ." In No. 44 he continues in the same vein: ". . . . the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people, and on the character of republican government. . . ."

By 1792 the first United States mint was established in Philadelphia, but its production was at first quite modest. The first regular production in 1793 consisted of cents and half cents, followed in 1794 with a very modest introduction of dollars and half dollars struck on the same standards as the Spanish denominations of eight and four reales. (Whence the colloquial designation of "two bits" for quarter dollar, etc.) Although the weight of the dollar was immediately of Spanish origin, its designation was of German origin (from *Taler*). The first five and ten dollar gold pieces were struck in 1795 and the first dimes, quarters and quarter eagles (2½ dollar gold pieces) in 1796. If the production of the United States mint at Philadelphia during its first few years seems quite modest, we must bear in mind that this modest outflow of money was just beginning to displace and supplement the large quantities of Spanish and other coins in circulation.

This reliable silver and gold money, both foreign and domestic, was the basis of a sound economic expansion during the first decades of the nineteenth century. Notes were issued by private banks, especially during the 1850s, but this unreliable money seems to have been of little importance in spite of the beautiful engraving work often to be found on it. The federal government abstained from issuing paper money until the Civil War. After this dire period the issuing of paper money was continued by the federal government, but most of it consisted of notes which were simply certificates for gold and silver payable on demand.

Meanwhile, a large production of gold and silver coinage continued to provide the basis of the sound economic growth of the United States. A considerable quantity of silver trade dollars (for foreign trade, especially in the Orient) with a weight of 420 grains (27.20 grams) was struck between 1873 and 1878, while particularly large quantities of dollars with a weight of 412½ grains were struck for domestic use during 1878-1904 and 1921-1928. Even far more significant was the huge production of gold coinage, which totaled over 4,500,000,000 dollars by 1933, a sum of reliable coinage of the precious metal unprecedented in the history of the world. About three-

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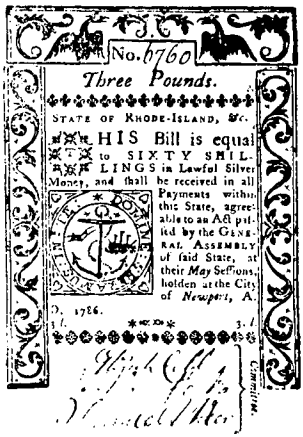
No. 6760
Three Pounds.
STATE OF RHODE-ISLAND, &c.
HIS Bill is equal to SIXTY SHILLINGS in Lawful Silver Money, and shall be received in all Payments within this State, agreeable to an Act paſſed by the GENERAL ASSEMBLY of ſaid State, at their May Seſſions, holden at the City of Newport, A.
1786.

Rhode Island note for three pounds dated 1786.

1786 Rhode Island Note—*Number issued: 10,000. Signed by Elijah Cobb, Job Comstock and Samuel Allen. Size: 70 x 105 millimeters. During and after the Revolutionary War great quantities of paper money were issued not only by the United States, but also by individual states. This particular issue totaled 100,000 pounds in notes of twelve different denominations. These notes were numbered and signed by hand. The wording on the note, "This bill is equal to sixty shillings in Lawful Silver Money, and shall be received in all Payments within this State. . . ." is especially significant because this legal tender provision was to be enforced by courts without jury trial. This provision, in turn, resulted in the famous decision in the case of Trevett vs. Weeden, which established the right of a United States citizen to trial by jury.*

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fourths of this gold coinage was in the form of double eagles ($20 gold pieces) struck, beginning with 1850, with a weight of 516 grains (33.436 grams) and a fineness of 900/1000.

Beginning in 1933 one step after the other removed us from the monetary traditions established with wisdom by our forefathers in the eighteenth century, traditions which had had a wholesome effect on the development of the American character and which had provided a sound basis for economic development. The huge gold coinage was demonetized in 1933 and the domestic monetary use of gold was prohibited. These measures were impatiently undertaken on the assumption that the resultant possibility of monetary expansion would cure an economic crisis prevailing at the time, but their short-range effects were probably nil and their long-range effects seem to have been distinctly negative.

Even after 1933, however, the gold backing of the dollar continued until that watershed Sunday, August 15, 1971, by virtue of the fact that a huge gold reserve existed that supported the value of the dollar in a very real way by being available to foreign governments with dollar assets. On August 15, 1971, this last remaining connection between the United States gold reserve (by this time depleted to less than half its maximal size) and the dollar was finally severed by President Nixon. In the meantime, the expansion of currency had been so great that the price of silver in terms of paper money had increased to such an extent that the huge amount of silver coins in circulation was beginning to be hoarded. In 1965 the first copper dimes and quarters appeared as a sad substitute for the 900/1000 silver coins which had been struck with nearly the same weights for seventeen decades. In the same year the fineness of the half dollar was reduced from 900/1000 to 400/1000 and in 1971 the first half dollars entirely without silver appeared. The silver certificates (blue seal notes) remaining in circulation were repudiated in 1969.

Less obvious to the average citizen than these visible changes in the coinage and paper money was the huge and insidious increase in currency that was taking place, especially beginning after 1961. According to data recently furnished by Secretary of the Treasury William E. Simon, the currency in circulation (including that held by commercial banks) increased from $7,848 million on June 30, 1940, to $73,833 million on June 30, 1974. When we plot out the annual increases during this period we obtain the following revealing graph:

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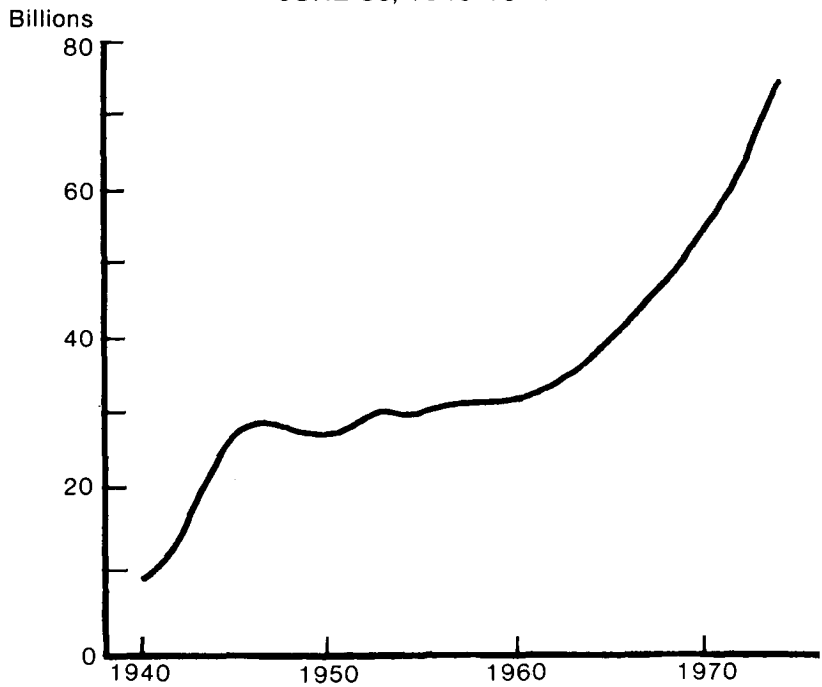
MONEY IN CIRCULATION OUTSIDE TREASURY AND FEDERAL RESERVE BANKS as of JUNE 30, 1940-1974



The failure of paper money and copper-nickel tokens as a reliable store of value is vividly demonstrated by this simple graph. Each horizontal unit represents one thousand million dollars in circulation, including those held by commercial banks, on June 30 each year from 1940 to 1974. Wholesale prices rose from a base of 100 in 1967 to approximately 168 in 1974, an increase almost exactly proportional to the amount of money in circulation as given above. The really frightening aspect of this curve is its almost smoothly exponential shape beginning especially after 1961, indicating the cynically planned nature of the inflation which has been debilitating the

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American private economy and unjustly expropriating the real value of monetary savings of individual citizens. Note that the period 1946 to 1960 was one of relatively modest monetary expansion and also one of relatively little unemployment on the whole. This refutes the nonsense so frequently heard nowadays that we are faced with a choice between inflation and high rates of unemployment. The shape of the curve since 1961 is also a bone-chilling indication of the probable future decline of the purchasing power of individual dollars.

The motivations for the great expansion of currency, especially during the last fifteen years, are by no means difficult to understand. They are tied in with the complexities of a tax structure which includes a sharply graduated income tax, as well as taxes on "capital gains" and "interest," even when such putative capital gains and interest represent no income whatsoever in real terms. By its deliberate expansion of the money supply (inflation) the government takes an ever-increasing percentage of the earnings of its citizens in taxes. These motivations also explain the doctrinaire abhorrence which officials of the Treasury Department now have for the monetary use of the precious metals, both domestically and internationally.

Unless foresighted, unselfishly courageous political forces gain the power to put a stop to the trend shown on the graph, monetary chaos and its usual concomitants, economic and social deterioration, will almost certainly be our fate during our third century as a national state. To visualize our own future if present trends are not stopped we need only recall the tragic developments in Germany, France, Russia, China, Hungary and Chile (just to mention a few examples) when the amounts of their currencies in circulation shot up into astronomical figures.

Dreary as this picture of our future might seem, there is one note of optimism on which we can end. The rapid monetary expansion of the last 15 years, which now threatens to evolve into a hyperinflation, has resulted in a decline of purchasing power, injustice to the holders of paper money and bonds, economic dislocations and other evils. However, this monetary expansion and its results have not been a catastrophe of nature or an act of God, but rather simply human action. What human action has brought about, human action can also rectify if the will to the action exists.

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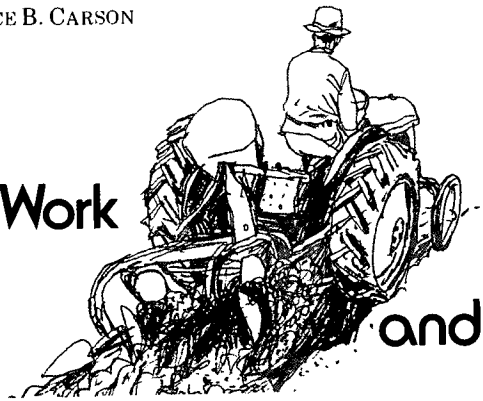
CLARENCE B. CARSON

Work and Liberty



HERE IS SOMETHING that is puzzling to adults. A small child can bound about, running from here to there, never appearing to tire. Yet, set the same child the task of walking from one place to another, and before he has taken a dozen steps, he is apt to look up at a parent to announce, "I'm tired. Carry me." If the parent does not comply, the child is likely to beseech, whine, cry, and may even conduct a sit-down strike. It does not make sense to the parent; the child is just being contrary. How could a few steps tire a child who is forever exerting himself much more strenuously, and for longer periods of time?

The child may be contrary, but he is not *just* being contrary in refusing to walk. It is too common a happening to be accounted for in that way. A more plausible explanation is that it *does* tire a small child to walk. It does not tire him to run, especially if he is going nowhere in particular, but it tires him to walk. An adult, by contrast, tires rather quickly if he tries to run but can walk with relative ease. It is no new discovery that small children are different from adults, but how different and in what ways may be insufficiently pondered. There is a clue in some of these for the connection between work and liberty.

Before looking into this connection, however, there is another and related matter that needs attention. Adults watching children at play often say something like this: "If I only had as much energy as a child, I could really accomplish something

---

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at $3.00 from *The Foundation for Economic Education*, Irvington-on-Hudson, N.Y. 10533.

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with it." Do children really have more energy than adults? Probably not, taking one with another, though the age of the adult would make a difference. There is, of course, no way to measure the potential energy in any person. What is known is that adults can and do sometimes expend a tremendous amount of energy. Take, for example, a woodcutter, someone who is accustomed to chopping with an axe. He can do so all day long, with only a brief respite here and there. The chances are good that no small child actually expends anything like that much energy in the course of a day.

The small child appears to have so much energy because his energy is largely undirected, unconcentrated, and randomly exerted. He has not yet entered into the economy of energy arena. So long as he is at play—what is called in school nowadays "free play"—he has all the energy he needs and wants. When he "runs down," he can quit playing and sleep; there is no playing left undone, nor any energy scarcity to concern him. To the small child, there is an almost absolute distinction between work and play. When he is healthy, he has boundless energy for play, but he tires and gives up quickly when assigned tasks—work—which must be completed, even walking from one place to another. The reason is now before us. Once the child is assigned a task that must be completed, the task becomes work, and the child enters the realm of economy where energy is scarce, must be conserved and directed.

Why is it easier for a small child to run than to walk? Because running belongs to the world of play, to the realm of boundless energy where there is no need to conserve or concentrate it. Walking belongs to the adult world of work where energy is scarce. To go from child's play to work is to go from something like paradise to purgatory, to go from a bounty of energy to a scarcity of energy. It is understandable, then, if the child resists the transition and even revolts when he is pressed to do it.

Organized Play

There is, of course, an intermediate realm between the play world of the small child and the workaday world. It is that of organized play, of games and contests. Actually, organized play has all the characteristics of work, save one. In organized play, there is a definite task to be completed, a time limit, and participants must concentrate and conserve their energy. In baseball, for example, the task is to score more runs than the opposing team, in a set number of innings, and energy must be concentrated on the various tasks, such as hitting, as

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well as conserved for certain moments in the game. The one difference between organized play and work is this: the task to be completed in play is arbitrary. By contrast, the task to be completed in work is integral to and grows out of what is being done. For example, the woodcutter chops the tree into logs that will fit into the fireplace. Though the lengths may vary within certain tolerances, there is nothing arbitrary about what he is doing if the wood is to be burned in his house in order to give off heat.

Organized play has two frequently inter-related purposes. One is to provide children with a relatively painless transition from free play to economy and work. The other is to provide entertainment and recreation for participants and spectators. The first is probably much more important than the second, for the transition involved is one from the primitive level of the lower animals into the civilized world of man. The penchant for play man shares with other animals; work is one of the most important of the distinctions between him and them. It flows, of course, from his power to reason—to see connections that are not necessarily direct and to engage in a series of purposive acts to provide for his well-being.

Work has now been under attack for some time. Nowadays, it is most commonly opposed as the "work ethic." The term "workaholic" has even been coined to describe a malady supposedly afflicting those who are "addicted" to work. But "work ethic" is only the latest in a line of terms used to stigmatize those who believed in the honor and dignity of work. It was called the Protestant ethic and also the Puritan ethic, though not everyone who used these terms attached a stigma to them. It appears, though, that those who refer to work ethic usually do so in a disparaging way.

Work Under Attack

The assault upon work is by no means confined to intellectuals, as the above might suggest. Many efforts have been and are being made to place obstacles in the way of those who would work. Labor unions have sought for years, often with success, to reduce both hours of work and the amount produced by each worker. In a strike, they attempt to stop all work within a plant and prevent those who would work from going in. It may be objected that theirs is not opposition to work itself but to the conditions of work under an employer or in an industry. That may be the intent behind it, but the method is to stop work. By indirection, they may well damage employers, but the impact on work and would-be workers is direct and immediate.

Governments, too, have joined in

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the assault on work. Child labor laws prevent the employment of young people in many undertakings. Wages and hours laws either limit hours of work or penalize the employer for overtime work. More, government taxes those who work—penalizes them, so to speak—and rewards many of those who do not. The most extensive instance of this is found in the Social Security program: those who work are taxed to provide benefits for those who have retired or are not very gainfully employed. (Again, the theory holds that the worker is taxed to pay for his own retirement, but the practice is as stated above.) It also is done in welfare and related programs.

Education as a Barrier

Governments are frequently carrying out a delaying action against work with their sponsorship of formal education. Compulsory attendance in schools is the counterpart to the child labor laws, a tacit opposition to work. Government support of higher education has greatly extended the period of unproductive activity for many people. This is not to deny the many values of formal education, but it is to point up some of the dangers of it.

In many respects, formal education belongs in the category of games and contests rather than work. Many of the obstacles put in the way of graduation are not arbitrary, but they have a similar artificiality to those in organized play. The student productivity is devised and artificial, bearing no immediate relation to providing goods and services. The student does not bear an integral immediate relation to society; too long a period in school, cut off from productive relationships with people, breeds opposition to society. The tree that does not bear fruit is cut down. The perpetual student, perpetually unfruitful, is under an implied threat of a similar fate. Probably, to maintain his own self-esteem he withdraws his esteem from society, may revolt against it, or just hold it in contempt.

To make matters worse, Progressive Education attempted to sever the connections which have always been fragile of schooling with later life and the workaday world. Childhood, they said, has its own purposes and ends; it is not a prelude to adulthood but something worthwhile and fulfilling in its own right. The tendency of such theories when they are applied is to make schooling an end in itself. The effect of this is to make school into only a game or contest, not a game which is a transition to the workaday world but one which is both artificial and arbitrary. Social promotion, which is well-nigh universally practiced today, illustrates

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this theory in practice. Social promotion incarnates the values of children—homogeneity, mainly—and ignores the value of disciplined preparation for later life.

Progress or Regress?

This campaign against work is described as being progressive by its proponents. Every reduction in hours of labor is progress, they have said. To prohibit child labor was described as progressive. Education which was not primarily preparation for a life's work was specifically called Progressive Education. Progress toward what, however, has never been made clear. Progress toward a time when men would no longer labor? Progress toward everlasting leisure and perpetual "free play" time? But that would not be progress, if there were a possibility that it could occur, which there is not. That would be *retrogression*, retrogression to the level of small children, to irresponsibility, to an absence of economy of time and energy, to some phantom golden age of perpetual childhood.

Perhaps, the most devastating thing about this campaign against work is the attitudes and habits it inculcates. It tends to make work distasteful, something to be avoided, something to contend over even as children bicker about the tasks assigned to them. It misconstrues the role of work in life and civilization. It treats work as if it were an arbitrarily contrived cultural convention rather than what it almost surely is: at the very core of adulthood and meaningful life.

Samuel Smiles was on the mark when he wrote the following:

> *Work is one of the best educators of practical character. It evokes and disciplines obedience, self-control, attention, application, and perseverance; giving a man deftness and skill in his special calling, and aptitude and dexterity in dealing with the affairs of ordinary life.*
>
> *Work is the law of our being—the living principle that carries men and nations onward. The greater number of men have to work with their hands, as a matter of necessity, in order to live, but all must work in one way or another, if they would enjoy life as it ought to be enjoyed.*
>
> *Labor may be a burden and a chastisement, but it is also an honor and a glory. Without it nothing can be accomplished. All that is great in man comes through work, and civilization is its product. Were labor abolished, the race of Adam were at once stricken by moral death.*[1]

Much could and should be said about the virtue, value, benefits, and ennobling character of work, but there is one particular connec-

[1] Samuel Smiles, *Character* (New York: Harper and Brothers, 1872), p. 97.

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tion which merits special notice. It is the connection between work and liberty. It has been generally recognized that work is necessary; some, even many, have proclaimed it good, and everyman knows that it is good in moments of achievement, at least. That it might be integrally tied up with individual liberty, however, has not been much examined.

The Release of Energy

The most elemental connection between work and liberty is the liberating role of work in the release of energy. We may not ordinarily think of finding a way of releasing energy as being a problem. If not, it is probably because we are accustomed to think of the conservation of energy as a problem. But conserving energy is only important because we have something useful and worthwhile to use it on. Releasing it is more basic, if not more important.

Man is, by nature and normally, a bundle of energy, energy seeking an outlet, energy which must be exerted else it will dissipate and we will deteriorate. Work is the only way that energy can be constructively liberated. Child's play releases the energy, but not constructively. Organized play releases energy, but the purpose is artificial and arbitrary. Child's play is natural; games are cultural; work is truly liberating and civilizing. The first two release energy, but man at work employs energy to liberate himself. Energy is in control of the small child, so to speak, when he is at play. Man is in control of energy when he is at work. This control over energy is both the deepest meaning of freedom and the means by which man exercises his liberty.

There is, of course, a much more obvious connection between work and liberty. Work is the means by which we get our livelihood. Saint Paul declared "that if any would not work, neiher should he eat." He thereby not only called attention to the connection between work and eating but also laid it down as a rule that all who were able should work. He had just explained why in an earlier passage (II Thessalonians 3:8): "Neither did we eat any man's bread for nought; but wrought with labour and travail night and day, that we might not be chargeable to any of you." "Chargeable" is the key term here and it may be sufficiently rendered as "dependent" or a "burden."

Work Affords Independence

Work is the way to individual independence. Those who do not work, if they eat, are dependent on those who do work. They are a burden. To be compelled to work to support those who do not is in some degree slavery, the degree being dependent on the extent of the labor

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so compelled. It is well noting, too, that neither the slave nor the master is free, in the full sense of the word. The master is "chargeable" to the slave for his livelihood and material well-being. He is bound, also, in a system of armed might which maintains the slavery and in servility to the political masters of the armed force. This is true whether slavery is thought of as something which once existed in the South, or in Rome, or Greece, or as that which exists anywhere and any time that some portion of the population is compelled to support the rest. Welfare recipients in our day sometimes adopt the posture of slave masters, demanding their benefits and organizing to enforce their will.

In short, for liberty to exist fully, those who can must work. If they do not, those who do the work lose some portion or all of their liberty. And, those who do not work subsist in a dependence which is demeaning, and they experience only an illusory freedom.

Idleness Leads to Mischief

There is yet another essential connection between work and liberty. It has long been observed that only those who have a large measure of self-discipline are ready for liberty. What this means, in the main, though not entirely, is that only those who are work-oriented are ready for liberty. The reason for this may be best approached negatively. There are three ways by which man may release energy: in play, by constructive acts, and by *destructive* acts. Man at work is not usually a threat to anyone. A man committed to his work—work-oriented—can hardly be a threat to anyone. Anger cannot survive embroilment with work, for then the mind and energies are so focused in constructive use that there is nothing left over for destruction.

It is not so with the idle. They are subject to and are often bent toward destructive acts. John Wesley put the matter this way:

> *Do you labour to get your own living, abhorring idleness as you abhor hell-fire? The devil tempts other men; but an idle man tempts the devil. An idle man's brain is the devil's shop, where he is continually working mischief.*[2]

This mischief, whatever its source, is often a threat to property, to peaceful men, and to the well-being of society.

Work not only keeps people busy and out of mischief, but it is also a major source of discipline from within by which an individual controls himself whether he is at work

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[2] Herbert Welch, comp., *Selections from the Writings of John Wesley* (New York: Methodist Book Concern, 1918), pp. 308-09.

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or whatever. Those who do not have self-discipline must be disciplined from without. When those who lack self-discipline become numerous they must be held in check by government. The use of this external force promotes the expansion of governmental power in ways that curtail the liberty of all. Government-imposed discipline tends to get extended over everyone to the detriment of individual liberty. Nothing so aggravates the problem of governance as widespread idleness.

Christian Influence

There is much evidence in history to support the view that there is a close connection between work and liberty. More pointedly, there is much evidence in history that points to a close connection between the work ethic and individual liberty. As Catholic Christianity spread in the early Christian era, slavery declined and virtually disappeared. The Protestant and Catholic Reformations of the sixteenth century either fostered the demise of serfdom or many of the vestiges of it, and presaged an assault on slavery around the world. The connections here are not far to seek. Christian teachings dignify labor; they make it something not to be avoided or placed on slaves but worthy of everyman. The Protestant ethic, as it has been called, added another dimension. It made every useful work into a calling, added a dimension of nobility to it, even. Slavery is not only an abuse of the slave but also a degradation of work, and, by implication, of those who work.

As respect for work spread, so did respect for the individual, and, in the wake of these, protections of individual liberty. The protections of liberty came, mainly, by way of containment and curtailment of the power of the state. This is not to say, of course, that individual liberty was simply a product of a work ethic. It is rather to affirm that the two have gone hand in hand and that there appears to be an essential connection between them.

There is further historical evidence to support this view. As the vigor of religious belief has declined in the last century, belief in the nobility of work has gone with it. Supplanting these has been a hedonistic emphasis upon leisure and play. Almost simultaneously, individual liberty has been increasingly circumscribed and curtailed and government power vastly expanded.

Idleness and Crime

Here is another kind of evidence. As the campaign against work has gained hold in the United States, crime has increased, and continues to increase. It has long been the

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claim of reformers that crime is the product of a bad environment such as develops where there are poor living conditions. This is to look at the matter only most superficially. Actually, both poor living conditions and crime are the result, mainly, of idleness. Much of the crime in the United States is committed by young people, in their teens and twenties. Commonly, those who commit the crimes—crimes of violence and destruction—are unemployed or only occasionally employed. Lacking a work ethic, they are often devoid of all ethics. They have often known nothing of the liberation of work and quite often lose all liberty through being jailed or imprisoned.

How Much Work?

A disclaimer is now in order. This writer does not profess to know how much, or how long, or with what intensity people should work. He does not know at what age children should shift from free play to organized play or from organized play to work. He does not know at what age each child should enter school or at what age he should leave. How much men should work and how much of their time be devoted to recreation is not known to him. Whether a man should work four, or six, or eight, or ten hours per day eludes his powers of discernment. That work is good, that play can be refreshing, that schooling can be helpful in learning, to these things he can attest.

What is reasonably certain is that neither government nor any other organization or group knows how much or how long anyone should do these things. Government has no more business setting hours of labor than establishing the number of hours we should sleep. Government has no more business deciding at what age children should enter or leave school than determining in what month a child should be toilet trained. Government has no more business sponsoring idleness than compelling people to work. By the first it burdens taxpayers and encourages licentiousness; by the second it imposes slavery.

Individuals differ as much from one another in the amount of time they can and will work as they do in the amount of time they can and will sleep, probably even more. Some men can work long hours fruitfully and with no discernible ill effects. Others cannot or do not wish to work long at highly disciplined labor. Some jobs require intensive concentration and are best done for short periods of time; others can be routinely performed for much longer periods. Some children gain fulfillment from much schooling, others from very little. Many youths wish they could go to work at an earlier age, and there is no good

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reason why they should not. These are matters best left to the decisions of individuals (or the adults responsible) and worked out in cooperation with whoever else may be involved. Work is normal for man, but there are no norms for how much each of us shall do.

Shortage of Jobs?

There is something else that should not be left on the table, as the saying goes. The labor union campaign against work, which has produced much of the legislation limiting work, has not been grounded upon some supposed distaste for work. It is premised, rather, on the notion that there is a shortage of work. This notion has even been provided with a theoretical explanation and given the name of technological unemployment. The theory is that the use of tools and machinery replaces workers and thus reduces the amount of work to be done.

Obviously, tools and machinery are often used to accomplish much more than could be done by a much larger work force performing by hand. It does not follow, however, that there is less work to be done. Everyman knows, if he only thinks about his own undone tasks, that there is more work to be done than is ever likely to get done. This is so because there is no end to the way human wants may be satisfied by the performance of work. People do have preferences, however, as to what work most needs doing, and they limit the amount they will spend to get something done. Some things they will pay much to get done; for other things they will pay much less. Technology does not produce unemployment; if wages are too high the result is unemployment. There is no shortage of work, but there is always a scarcity of means to employ workers.

The effect of the campaign against work, whatever its theoretical justification, is about the same. It is a campaign against civilization. It is a campaign against the growth and fulfillment of individuals. It is a campaign against discipline and order within society. And, it is a campaign against individual liberty.

IDEAS ON LIBERTY

Peregrine Worsthorne

THAT THE INDEPENDENT and creative should be made to feel guilty, as if they were the parasites, with the dependent and the passive lauded as the salt of the earth—such a reversal of values is the mark of a society with a death wish.

From a recent article in *Harper's Magazine*

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In Defense of Apathy

THOMAS W. HAZLETT

WE HEAR MUCH these days of the virtue of "involvement." Honored are the "activists" who so boldly and humanely watch out for their fellow man. "Community-minded," "civic awareness," and "socially conscious," are true-blue banners, the merit badges of the 100 per cent Twentieth Century solid citizen.

The cry for involvement is most frequently raised on the campus. Second-semester freshmen, in frantic search for the passionate days of relevance and revolution of such recent memory, ask: Where is the involvement? Where is the community action? Where are the people who really care?

Wake up people! Get involved! Whip that Apathy! Make a better world! Organize your Community! Change your Nation! Reform the World!

On the contrary!

Maligned and persecuted, apathy—in the *social* sense of the word—is possibly the noblest of civic virtues. The ability to mind your own business, to let others do their thing, and to concentrate your efforts on your own life, are the discerning characteristics of a well-adjusted and competent human being.

When contemporary critics look about, they are terrified to witness the 1976 college student living his life privately, concentrating on his course of study and more worried

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about the job that lies ahead than about the political shenanigans that so absorb the press. What is so apathetic—in a broader sense of the word—about caring for your own life and respecting the other fellow to run his? Is this the "apathy" that shocks and bedevils the "activists" of our age?

Indeed it is. For the prevailing sentiments of "enlightened Americana" operate on entirely different premises than the rational predilections of honest and civilized men. Those premises build from the frightening cliche: "We are our brother's keeper." Getting "involved" does not simply entail involvement per se: What the vogue definition reflects specifically is involvement in the affairs of others—of the school, community, society. The hip activism is little more than an excuse for running the lives of others, hence the pathological attachment with politics.

The concept of people being content to attend to their own self-interests has predictably little appeal to the "activist" mentality. Private people, pursuing personal goals and enjoyments, offer a staunch defense against the pervasive moralizing of the meddling intruders. The approach of the latter is entirely paternalistic and operates under the assumption that since we are our brother's keeper, there must be somebody who cares enough to do the keeping. Somehow, that entity is always the state, which makes it a difficult family relationship to break off.

Undoubtedly, Henry David Thoreau was on the right path when he said: "If I knew for a certainty that a man was coming to my house with the conscious design of doing me good, I should run for my life." Your life is your own, yours to succeed or to fail with, yours to live as you decide. Your obligation is to yourself: to the only person whose life does in fact depend on you. It will, in reality, be your actions that make your life what it is. Why feel guilty about making the best you can of your own efforts—and why not allow others the same chance? Let "Mind Your Own Business" be the political slogan of free men in a free land.

Do not take lightly the social non-involvement of today's college students. They are busy—with their own business. If that business should be foreign to your own aspirations, appreciate the diversity among individuals and welcome the opportunity to express it. And above all else, keep a healthy distance from the champion of mindless social involvement. In all probability, there is a sound reason behind his decision to forget his own life and to attempt to rule everyone else's.

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TIME to READ

THERE IS an old story of the man who read Gibbon's *Decline and Fall of the Roman Empire* in the intervals of waiting for his wife to dress for dinner.

From *Management Briefs*, published by Rogers, Slade & Hill, Management Consultants of New York City, come these ten ways to use those otherwise-wasted quarter-hours.

1. Talk less (and watch less the TV programs unworthy of your maturity. Watch more, if you please, the good ones; fewer of the poor ones).

2. Carry a book in your bag (your brief case, your topcoat pocket).

3. Put a book under your pillow at night; if you can't sleep, read.

4. Wake up 15 minutes earlier every morning, and read.

5. Keep a book handy to pick up (at home, when waiting for the dinner; at the office for waits between engagements, or for long-distance 'phone calls to come through).

6. Have a book ready when meeting unpunctual people (or waiting for meetings to get under way).

7. Take along your own book when going to the dentist or doctor (or an appointment with the man who may keep you waiting 15 to 45 minutes in his anteroom). Why read their old magazines?

8. Keep an unread book in your car in case of traffic jams or a wait for repairs (or a wait for your wife to do her shopping).

9. Never go on a journey in a public conveyance without a book.

10. Remember that a book in the hand is worth two in the bookcase (and a good current magazine in hand is worth three in the wastebasket).

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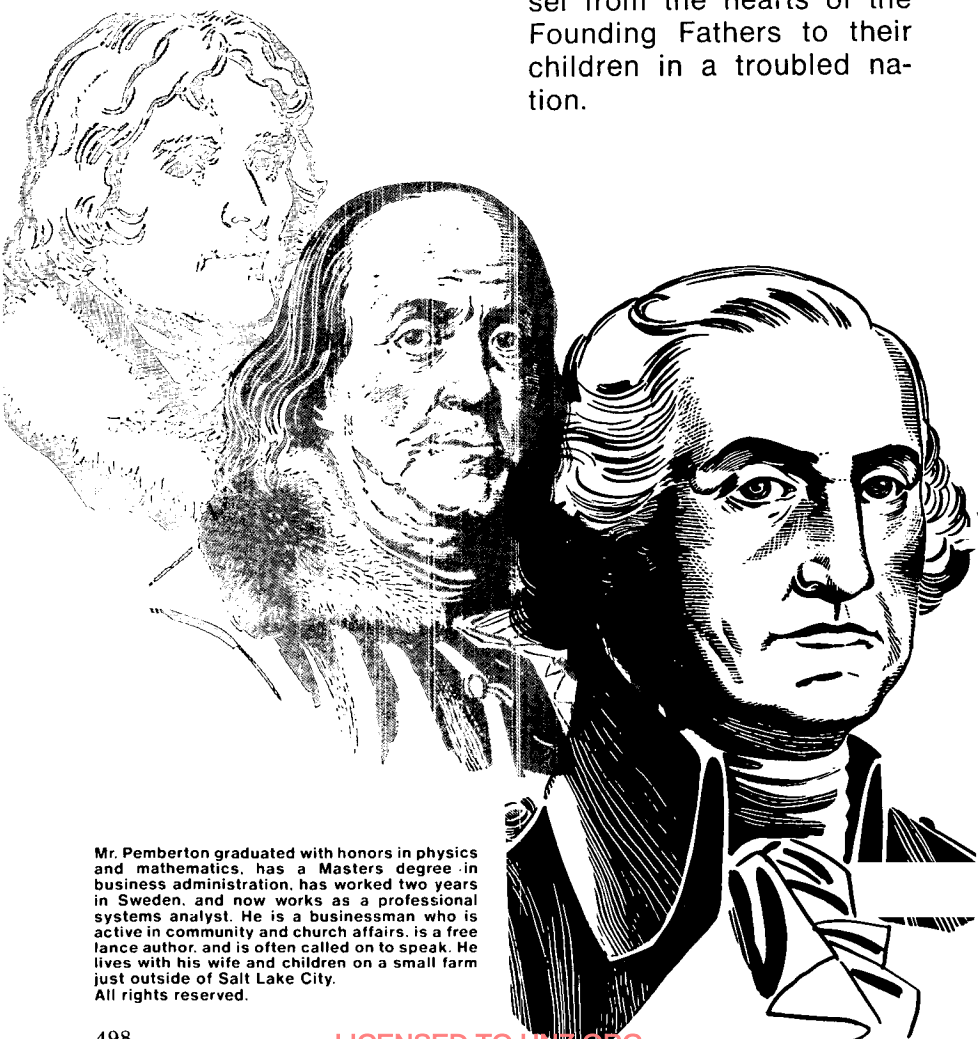
A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.
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IV. Comments on The Bill of Rights

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

HOW IS IT that a man loses his rights? There are at least three ways; but each is a result of his own choice. First, he may agree to give them up, and if he has his wits about him, he will do that in such a way as to protect them in the process. Second, he may be deprived of them by force; which only means that he may be caused to suffer some unpleasant consequence when he attempts to use them. And third, the most subtle and effective of all, he may, by listening to the false promises of license, apply his rights and powers to evil occupations and form himself into such a creature of ignorance, bad habit, and even depravity, that he becomes incapable of the use of his most precious and most fragile faculties. Such is the dulling effect, for example, of petty thievery upon the finer senses of justice and propriety.

Throughout history men have lost the use of their unalienable rights by one or another error. But when an entire nation has moved itself from liberty toward oppression, as you are doing now, it has always been through a slackening of the public scruples; for the carelessness necessary to participation in the human vices extends both to the abuses of government officials and the vigilance of the people. Officials, drunken with authority and schemes of glory, run amuck; while the people, filled with the indifference born of selfish pleasures, fall asleep.

Self-government is an opportunity which must be cherished by every citizen, and if the time should come that you cease to govern yourselves, first in your own individual lives and thereafter in your political institutions, then you

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will be governed by others; for selfish and glory-hungry men have ever lurked about the political waterholes of civilization like cunning wolves awaiting the unwary prey they are only too eager to consume in order to fill up their vanity and satisfy their lust for the regard and property of their fellows. It is precisely here that we see the requirement for the protection of the moral conscience; so let me turn your attention to the First Amendment.

Freedom of Religion

You will notice that we placed freedom of conscience at the head of our list of rights, for we knew that if a man could not freely exercise his conscience he could not develop it fully. And a man without conscience is a man without honor. Likewise with the nation. And what is more, when the citizens fail to conduct themselves with probity, their government is required to increase its regulation of their lives; a shift of power from the people to their governors; a step from liberty toward oppression; a change eagerly assisted by ambitious politicians.

Contrary to what you have lately been told, it was our intent in the First Amendment to not only protect, but also to promote religion among the people. Not that the government should foster any particular religious philosophy (such as atheism or irreligion as it does in your schools), but that it should not discourage the development of morality and religious ethics, nor give one philosophy an advantage over another. Hence we denied the government the power to interfere in religion or to direct, control, or tax it in any way. We drew a line between them which ought not to be crossed. But that was to fortify religion, not to inhibit it! It was to protect the people from political interference in the free exercise of conscience, not to prevent the development of a moral or religious sense.

To interpret the First Amendment so as to place government in opposition to religious expression in private or in public is to place government in control of religion to the extent that it can advance the philosophy of nonreligion, which is in direct contradiction to the spirit of that amendment. Furthermore, it sets a free government in conflict with its own destiny, for if it should succeed in demoralizing the citizens, it will have also succeeded in its own destruction.

Our desire in this first clause of the First Amendment was to establish and protect the only enduring basis of liberty: individual self-discipline through individual rectitude. We knew that, as with enterprise and art, the most effectual way the government could

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promote religion was to remain out of it entirely.

There are voices in the land now which attempt to twist the meaning of that law and seek to thwart all religions based upon a recognition of God. They do this because they know, and you must remember, that any human expression which conveys belief in a Divine Creator is also a statement of the inherent worth of man, while a denial of God is a positive affirmation that man is only a well-developed beast, and may be justly reared, trained, and used as is fitting any animal. Have not millions been slaughtered under that Godless philosophy? You watched it in Russia for a half-century.

The man who will soberly reflect upon the question will soon discover that all justification for government arises in the mischievous nature of the citizen. If each one behaved justly toward others the need for civil government would vanish. There would be need for neither police nor armed forces. The poor and unfortunate would be cared for through the feelings of charity which would be released in the hearts of their fellow citizens whose just attitudes would have prepared them to share their concern and their property. In such an ideal society each man would have complete liberty, but only because he had first made himself worthy of it by his own careful respect for the rights of others. Is it not toward that goal that you would strive if you only knew how to attain it? It is for this purpose that I have come to you: to help you find the path and give you the confidence to set upon it.

If that is your desire, then you must realize that nearly all the problems and crises of the nation have their origins in the hearts and minds of individual men, and spring from their separate but common vices. Strictly speaking, there are no social, economic, or political problems, for the conditions described in those terms are not created by society, or economics, or politics. They are, in the final analysis, created by people—the result of decisions contrived in the darkness of selfish ambition or deceit. You may consider any problem of the commonwealth, and you will discover that only a small portion is the product of circumstance aside from the human frailties. And if the difficulties arise from the people, then they are not fundamentally political or social, but moral and ethical, and there is no government institution which can solve them.

The entire nation, save a few wise men, labors under the delusion that government can make you a great country, and the result of that error is the consuming of a near third of

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your labor and goods in bureaus and programs which can neither comprehend nor correct the true basis of your troubles. Good government is necessary to a great nation, but it is far from sufficient.

Nay, the victories which give a nation true dignity are not won in the halls of bureaus, or in the chambers of the law, nor yet upon the battlefields of war. The struggle for national honor is fought daily in the secret heart of each citizen. It is there, indeed, that the nation's decision between liberty and license is cast; it is in the heat of the fires of individual human feeling and intellect that the soul of society is forged, for the history of the commonwealth is first conceived and written in the hearts of its citizens.

I realize that all this philosophical exposition may dismay you a bit; yet I did not come to tickle your ears, but to enlighten your minds and lift your vision. I have deliberately led you to this point that I might more fully impress upon your minds the decisive import of that first clause: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof," for we founded our government upon a profound awareness of the virtues and vices of human nature. The Constitution was designed for a moral and religious people, but no government can protect a dishonorable people from the just rewards of collapse and ruin.

Our full intent was to assure each citizen the liberty of religious thought, expression, and practice in public and in private. The spiritual side of man's nature must be protected so he may freely discover the principles by which he will order his life. If he is not thus free, his morality is stunted and neither law nor popular disdain will suffice to restrain his abuse. Although the government may protect the people from political oppression, only the people can protect themselves from spiritual degeneracy; and while the former may not lead to the latter the latter has always brought the former. The best the government can do for the preservation of liberty is to stay out of religion, and the best the people can do is to stay in it.

Freedom of Speech

Now I would direct your consideration to the following point: freedom of speech requires an untrammeled liberty; for as a man must be able to steal, until he has done it once, so he must be free to speak until he has shown himself an instrument of deception. That is to say, it is altogether appropriate to punish that person who has abused his liberty by deceit or slander; it is quite another matter to seek to regulate him ere he makes his

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utterance. In the first instance there is both reason and justice, while in the last there is a prior and therefore prejudicial encroachment upon the rights of the speaker. Furthermore, such regulations are ever subject to political manipulation; and that is precisely the nature of your so-called Fairness Doctrine which effectively (albeit indirectly) muzzles many a man who might have awakened you sooner to the true basis of your political troubles.

There are also those among you who seek to shield themselves, by an appeal to the First Amendment, in order to publish the most subtle and ruinous fraud. They, by implication (for the falsehood would never gain public acceptance were it presented directly), broadcast to a world of unsuspecting minds that immorality and even perversion are normal and necessary to the full "liberation" of mankind. But they are not normal, except to a base and morbid few, nor are they ever beneficent to the individual or his society. And what is more, they are totally foreign to the nobler side of man's nature and have always been accompanied by a return to bondage—first in a darkened and distracted mind, then in the disruption of the home, and finally in the corruption of all that is good.

If a man willfully injures the character of another he may be justly punished for libel. What then if a man publishes matter which injures the character of the entire human family by depicting man as a beast? Or if he publicly promotes the deception that there is no sin between "consenting (conspiring) adults"? Should he not be held to answer for his abuse of his freedom? With your society already in alarm for its safety in the face of rising crimes of personal and intimate violence, it would be foolish indeed to tolerate those who, for profit, spread private vice in public view.

Would you allow training schools to be established throughout the land where thousands would be taught the techniques and advantages of crime? Then how long will you permit the public display of material which teaches the degenerative crimes of moral abandon?

You have only two choices: to stand and watch while they poison you and your hapless children and bring thousands into the slavery of obscene selfishness, or to enforce good local laws ("*Congress* shall make no law ... abridging the freedom of speech, or of the press") and restrain those who would corrupt the public virtue. You savor neither alternative, and in that you are right, but that is all you have. You will either stem the tide of pollution or drown therein, for the laws of human nature are as consis-

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tent and immutable as those of physical nature: obedience to them will bring social and technological progress, but the unbridled fire will ever consume.

The Right to Bear Arms

The primary cause for our affirmation of the right of the people to keep and bear arms was our concern for military power: that the armed forces might need immediate and widespread assistance in repelling an aggressor, or that the citizens might find it necessary to defend themselves from oppression by their own military. We desired that every man have the right to arms.[1]

But there is another consideration which is based on a fundamental right and requires a little elaboration since you are in debate upon the issue.

If a man find himself or his property in peril of plant or animal, he has a manifest right to defend what is his. If he be in jeopardy of another man, he retains the same right. There can be no alternative to this principle without opening the door to all manner of legally protected plunder and personal assault. The law must either sustain this right or else it shields the criminal, for it will either tend to protect the one or the other, there being little middle ground. To protect the bad man is to encourage his ravages.

Most of the laws proposed in Congress are unenforcible upon the criminal, and worse, they are oppressive upon the citizen who is purportedly thus protected. If you wish to put an end to the wrongful use of arms, it is only necessary to make that use ill-advised; for outlaws reason also, and when the risk becomes too great, they will cease. If the beweaponed rascal were aware, for example, that the penalty was at least thirty years' imprisonment without possibility of leniency, what would be the effect? An extreme penalty, it may be thought, but it is perhaps no more unreasonable than the over-careful protection of the offender now required by your judicial system.

If a man shows disregard for the life of another, then justice demands an appropriate restriction upon his rights, otherwise equal protection under the law and the public safety must suffer.

The Second Amendment was also our statement of the right of the people to forcibly revolt when that horrible prospect is the only course by which they may reassert their unalienable rights. The powers of government are delegated to it from

[1] Author's note: There is a general misunderstanding that the militia mentioned in the Second Amendment refers to the National Guard or the armed forces. The correct meaning in this context is "the armed citizenry." The United States' Code, Chapter XIII, Section 311, defines the militia as all able-bodied males of 17 years' age.

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the people, and when a government becomes altogether inimical to their rights and wholly independent of their will, they necessarily have the right for themselves and the duty to their posterity to revolt; to remove despots from power and reestablish liberty. Reason, history, and the most recent European oppressions amply testify of the inability of the people to throw off a government which has gained control of their personal arms. They have been defenselessly driven, slain, and imprisoned within their own lands and homes. You may be profoundly grateful that you still have sufficient control of your government to return to a fullness of freedom without armed revolution. You know not how grateful.

I shall finally comment upon the last amendment in the Bill of Rights, for it is, in respect to its comprehension, the most significant because we summarized in it the essence of human rights and government and placed them in proper relationship one to another. We simply restated that fundamental principle of the rights of free men: that in the United States the federal government possesses only those powers delegated to it by the Constitution; that there are certain powers which the several States may not exercise; and all other powers whatsoever are retained by the individual citizens. For frequency of violation this Article is unsurpassed, and you will find, when you have restored the Constitution to its proper role, that the relentless disregard for this principle has brought you most of the dismay and perplexity which now afflicts you.

Now, you have noted, no doubt, that I have spoken mainly of the moral and religious aspects of your liberties. That is not because I have grown more religious with age, but because you have grown less. Liberty has always brought the blessings of abundance, and abundance has always tended to pride and a haughty disrespect for basic moral principles. If you will consider it carefully, you will see that you stand now at the crux of the nation's life: you may continue into the growing indifference of opulence and squander this Bill of Rights, or you may rise above the affluence of freedom and keep both your liberty and your wealth. You must stretch your capacities for noble character, catch the vision of a higher order of life, put yourselves in careful harmony with sound ethical doctrine, and lead a saddened but hopeful world into the fuller freedom of personal dignity. That is the true destiny of the nation. That is the dream I feel glowing in your hearts. Then believe in that dream, follow it, and work to make it real!

Next V. *On the General Welfare*

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PLAIN TALK

IN HIS MONUMENTAL HISTORY of the conservative intellectual movement in America since 1945, George Nash makes two references to a little magazine called *Plain Talk*, which was edited by Isaac Don Levine from 1946 to 1950. Since he had such a vast tapestry to weave, Mr. Nash could hardly have done better by Mr. Levine without unbalancing his chronicle. He does say that *Plain Talk* modulated, so to speak, into *The Freeman*. *The Freeman*, in turn became the seed pod of many phases of the conservative efflorescence. So Don Levine gets the credit for being the Honorable Ancestor of the movement, which Fabian-style, is providing the coming alternative to the collectivist "liberalism" that must be routed if individual freedom and creativity are to prevail throughout the West.

Plain Talk was a Cold War publication, devoted mainly to combatting the encroachments of Stalinism both on the domestic and world scenes. It had to struggle for attention in a postwar America that had grown tired of foreign commitments and lax about accepting the possibility that "it could happen here." The illusion, that somehow the victors in World War II—the U.S., Britain and the Soviet Union—could fashion an enduring world peace with the aid of the United Nations, maintained its incredible persistence in spite of Red encroachments all the way from Czechoslovakia to Manchuria and North Korea. Our State Department, though it was formally committed to support the Truman Doctrine (which saved Greece and Turkey), was riddled with people who wanted us to desert an old ally, Chiang Kai-shek's Kuomintang, in China. The wish here proved father to the reality: as Alfred Kohlberg,

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the merchant "angel" who supported *Plain Talk*, wrote, "a large part of the arms shipped to China under lend-lease before V-J Day and more than half the ammunition were destroyed by the American Army before delivery to the Chinese . . . Not a single firearm, from revolver to cannon, has been permitted to be shipped to the Chinese Government since V-J Day."

With Kohlberg's help, Don Levine launched *Plain Talk* at the critical time when the Communists were developing the world's most fearsome Fifth Column as their answer to the temporary U.S. monopoly of the atom bomb. He found scores of well-informed writers to attack the problem of exposing the machinations of Red infiltrators. Many of the articles they turned out from 1946 to 1950 have now been reprinted in *Plain Talk: An Anthology from the Leading Anti-Communist Magazine of the 40s*, edited by Mr. Levine (Arlington House, $12.95).

A Contemporary Ring

As might be expected at a time when we have suddenly been reminded by Solzhenitsyn that the Communist leopard has not changed its spots, practically every article in this anthology has a deeply contemporary ring. Mr. Levine tells us the reason: "if you substitute the name of Brezhnev," he writes, "for that of his master Stalin; of Kissinger for that of General Marshall; of President Ford for that of James F. Byrnes; and if 'the Molotovs and Vishinskys' be replaced with 'the Gromykos and Suslovs'," the scene today is exactly parallel to what it was thirty years ago. Then it was, as a Ralph de Toledano article says, "Stalin's hand in the Panama Canal"; today it is Castro's hand in the agitation to get us out of the Canal Zone. Thirty years ago Communism threatened to overrun Asia; today, as Angola proves, it is Africa that is under the gun.

The truth is that the Cold War merely went undergound for a while. Detente was always an illusion, something that was fostered by Khrushchev and his successors as an insurance policy designed to protect the Communist gains in eastern Europe while Marxist wars of "liberation" were being pushed to completion throughout the old colonial world.

Don Levine's biggest coup was an article called " 'Gulag'—Slavery, Inc." He wrote it back in the middle forties from data that had been brought out of the Soviet Union by Polish soldiers who had been released from prison camps by Stalin to compose the Polish army-in-exile that fought so valiantly at Monte Cassino in Italy. Along with the article, which explains that

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"Gulag" is the acronym for Russian words meaning Office of Penal Labor Camps, went a terrifying map of scores of penal colonies scattered, archipelago-fashion, from the White Sea in Europe to Kamchatka on the far Pacific side of Siberia. Thus Levine anticipated Solzhenitsyn by thirty years.

Everyone knows what "Gulag archipelago" means now: Solzhenitsyn has put it firmly in the western vocabulary. But Levine got there first, as the inclusion of his article and map in the anthology reminds us. Other coups reprinted in the anthology include Eugene Lyons's pioneer expose of the Katyn Forest massacre by Stalin's NKVD of the flower of the Polish officer corps. Fourteen thousand Polish officers, taken when Stalin and Hitler connived to carve up Poland, simply disappeared from the face of the earth. Many of them were unearthed from shallow graves by the Nazis after Hitler had invaded Russia. The Soviets tried to prove the Nazis had done the killing, but the evidence, from dates in diaries taken from the corpses, points clearly to the Communists as the mass murderers.

The Positive Case for Freedom

To those who might argue that it is nonsense to think of an anti-Communist magazine as a progenitor of the conservative movement in America, there is a good answer in section seven of Mr. Levine's anthology, called "On Freedom and Its Enemies." Here the positive exposition of what Leonard Read calls the "freedom philosophy" takes over. We have Ludwig von Mises's "The Philosophy of the Pseudo-Progressives," a notable analysis of Marxian, Veblenian and Keynesian misrepresentations of the capitalist position, which Mises defends as the appropriate expression of free "human action." We have Edna Lonigan's strong defense of the American conception of democracy (the right of the individual to the fruits of his "performance") as against the French conception, which means "control of some citizens by others, whenever the majority wishes." We have Ayn Rand's "Screen Guide for Americans," a warning against Hollywood codes that belittle the American enterpriser. We have Henry Hazlitt's analysis of the defects of our political primary system, a system that runs counter to the sound basic principle that the office should seek the man.

The point is that Levine, as an editor, knew what he was for as well as what he was against. He used to describe himself as a "mutualist," meaning that he was a believer in voluntary as against compulsory cooperation. "Mutualism," in the Russia where Levine was born,

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derived from Kropotkin, the philosophical anarchist. In America it means free association, a wider conception which Levine has heartily embraced.

▶A GANG OF PECKSNIFFS by H.L. Mencken (New Rochelle, New York: Arlington House, 1975) 206 pages, $8.95.

Reviewed by Edmund A. Opitz

SOME WRITERS live serene on the slopes of Mount Olympus, immune to the passions that agitate their fellows. Goethe comes to mind, a man whose monumental detachment may be gauged by his response to a young friend with a painfully swollen jaw: "You have a toothache? Live in the All."

It was otherwise with Mencken. Henry never even looked at Olympus in public, except when he wrote about music. Music, Beethoven's works in particular, evoked the only religious emotions Mencken ever manifested, and his writings on this subject are those of a true believer. His friend, Louis Cheslock, deserves our gratitude for making them available in book form. In almost everything else Mencken played the role of *provocateur*; he disturbed the peace of the over-complacent America of the 1920's and shakes us a bit even today.

Mencken was a critic of our culture, and a critic counters, allowing his themes to be chosen for him. Mencken was set off by the imbecilities of politicians, the stupidities of businessmen, the idiocies of churchmen, the chicanery of lawyers, the quackery of doctors, the ignorance of academicians, and—in the volume under review—by the canting hypocrisy of the fourth estate. (How one would love to see Mencken in his prime turned loose on television!) The follies and stupidities of the American "booboisie" during the twenties were made to order for a man of Mencken's talents, and he assaulted them with more gusto than pinpoint accuracy. Criticism, he wrote to a friend, "must be done boldly, and, in order to get a crowd, a bit cruelly." The culture's crassness, its sentimentality, its religion of progress and Babbittry, its *hubris*, were lampooned, caricatured, ridiculed, and hacked to pieces. But once his opponent was unhorsed, Mencken never drove in for the kill; more than likely the fallen foe was helped back into the saddle.

There was a private side, quite different from the public image Mencken cultivated. A fine book by Mrs. Mencken's friend, Sara Mayfield, *The Constant Circle*, reveals Mencken as gentle, thoughtful, gallant, and somewhat shy. As an editor, he was a never-

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failing source of help to promising young writers. When the occasion warranted, he would ladle out avuncular advice to aspiring authors to steer clear of wine, women and song. His own work load went beyond the Puritan ethic, but he was never too busy to answer pestering letters from admirers, gravely and by return mail. He was delightful company, as his friend Albert Jay Nock relates: "There is no better companion in the world than Henry; I admire him, and have the warmest affection for him. I was impressed afresh by his superb character—immensely able, unselfconscious, sincere, erudite, simplehearted, kindly, generous, really a noble fellow if ever there was one in the world."

With the passing of "the era of wonderful nonsense" went many of the kinds of targets Mencken needed. He despised the New Deal, of course, but how do you burlesque a burlesque? The only memorable thing to come out of this period was his celebrated polemic, "Three Years of Dr. Roosevelt." So Mencken in the thirties returned to his scholarly exertions in the field of philology, and in 1936 Knopf published the enlarged and rewritten fourth edition of *The American Language*, to be followed by two more volumes containing additional material. Mencken's *New Dictionary of Quotations* appeared in 1946.

These projects, and a few others, occupied Mencken's mind during the dismal forties. It was not a happy time for him. He regarded World War II as further evidence of mass insanity plus poltroonery in high places; the U.N. was "that monumental obscenity." He was persuaded to cover the 1948 presidential sweepstakes and that gave him a lift, for he regarded democracy as the most amusing form of government, and the three candidates of that year were choice specimens all. And then, in November, 1948 came the stroke, and this most gifted stylist of our time, this virtuoso with words was crippled in both speech and writing. He bore his fate with a kind of gallows cheerfulness; the inner man never surrendered till Death fetched him in 1956.

Mencken had a lifelong love affair with his job as a newspaperman, and we have, in *A Gang of Pecksniffs*, a collection of his articles on the press. Only one has appeared before in book form, so this excellent volume will appeal to every Mencken buff, but also to a wider audience interested in an assessment of contemporary journalism by its ablest practitioner. The compiler is an editorial writer on Mencken's old paper, and has contributed a knowledgeable thirty-page introduction and added a half dozen photographs of HLM at work.

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▶NO LAND IS AN ISLAND: *Individual Rights and Government Control of Land Use* by various authors. (Institute for Contemporary Studies, 260 California Street, Suite 811, San Francisco, California 94111, 1975) 221 pp., paperbound, $4.45; discount price postpaid for multiples of 50 books in cartons, $3.00 per copy.

Reviewed by Brian Summers

THIS BOOK is a collection of fourteen essays, most of them critical of the political drive to regulate land use.

The arguments against government control of land are well covered. Several authors, particularly W. Philip Gramm and Robert B. Ekelund, Jr., offer economic theory. Others, such as Bernard H. Siegan, John McClaughry, and Connie Cheney, present case studies. Siegan considers the case of Houston, a booming city with no zoning. McClaughry gives a blow-by-blow account of the struggle over land use in Vermont, complete with political power plays and skulduggery. Connie Cheney concentrates on the victims of land use regulation, the forgotten people who find their futures zoned away by the government. Some of the authors, such as M. Bruce Johnson, take a more general approach, weaving together economics, case studies, and common sense.

Several contributors raise a particularly disturbing point: Land use regulation is often directed against the poor. The most blatant example is zoning. Zoning is often designed not to keep trees, grass, and squirrels *in*, but to keep poor people *out*.

To give the reader an idea of the arguments being put forward by proponents of regulation, the book includes an essay by a leading advocate of Federal land use legislation.

The only flaw in the book is that several contributors seem intent on making government regulations work better, rather than relying on the free market. But, on balance, it is a fine book with much ammunition for those preparing to do battle with the proponents of land use regulation.

▶OTHER PEOPLE'S PROPERTY by Bernard H. Siegan (Lexington Books, D.C. Heath and Company, 125 Spring St., Lexington, Massachusetts 02173, 1976) 147 pp. $13.50.

Reviewed by Paul L. Poirot

THOSE WHO have followed Professor Siegan's several short articles in recent issues of THE FREEMAN will recognize that the focus of his

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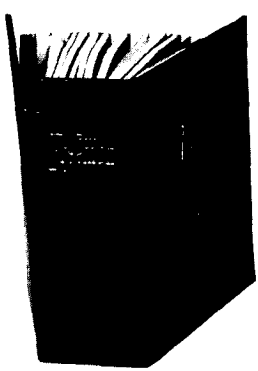
book is on the use of land, to the conclusion that: "Government regulation of land use should be minimized, and we should rely instead largely on the restraints inherent in individual freedom and competition to control the use of land."

John Chamberlain said of Mr. Siegan's *Land Use Without Zoning* (Lexington Books, 1972) that it "will stand as a landmark for the rest of our century." But, he added, "it needs translation into a less complicated idiom if it is to have the maximum effect." And that is precisely what Bernard Siegan has been doing in his newspaper and journal articles since 1972, simplifying and popularizing the case *against* government planning and zoning and land use regulation and the case *for* private ownership and control of any scarce and valuable resource, especially land. Those columns and articles, written for the layman, are organized and collected in *Other People's Property* in a way that should be most helpful to anyone seeking maximum use and enjoyment of his own property.

As Distinguished Professor of Law at the University of San Diego School of Law, Mr. Siegan teaches courses in land use and law-and-economics. He is without peer in his understanding of the seen and the unseen consequences of the land use controls which increasingly plague town and country, in the USA and throughout the world. We welcome his leadership forward in freedom.



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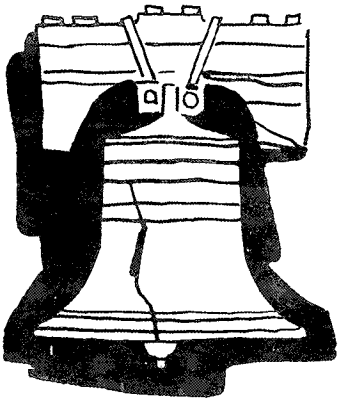

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